

JAN 18 2008

A BILL FOR AN ACT

RELATING TO TAX CREDITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 235-7.3, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) For the purposes of this section:

4 "Performing arts products" means:

5 (1) Audio files, video files, audiovideo files, computer
6 animation, and other entertainment products perceived
7 by or through the operation of a computer; and

8 (2) Commercial television and film products for sale or
9 license, and reuse or residual fee payments from these
10 products.

11 "Qualified high technology business" [~~means~~]:

12 (1) Means a business that conducts more than fifty per
13 cent of its activities in qualified research[-]; and

14 (2) Does not include any business or production that
15 qualifies for the motion picture, digital media, and
16 film production income tax credit under section
17 235-17.

18 "Qualified research" means:



- 1 (1) The same as in section 41(d) of the Internal Revenue
- 2 Code;
- 3 (2) The development and design of computer software for
- 4 ultimate commercial sale, lease, license or to be
- 5 otherwise marketed, for economic consideration. With
- 6 respect to the software's development and design, the
- 7 business shall have substantial control and retain
- 8 substantial rights to the resulting intellectual
- 9 property;
- 10 (3) Biotechnology;
- 11 (4) Performing arts products;
- 12 (5) Sensor and optic technologies;
- 13 (6) Ocean sciences;
- 14 (7) Astronomy; or
- 15 (8) Nonfossil fuel energy-related technology."

16 SECTION 2. Section 235-17, Hawaii Revised Statutes, is
17 amended by amending subsection (d) to read as follows:

18 "(d) To qualify for this tax credit, a production shall:

- 19 (1) Meet the definition of a qualified production
- 20 specified in subsection (1);
- 21 (2) Have qualified production costs totaling at least
- 22 \$200,000;



1 (3) Provide the State, at a minimum, a shared-card, end-
2 title screen credit, where applicable; and

3 (4) [~~Provide evidence of reasonable efforts to hire local~~]
4 Hire at least seventy five per cent of its talent and
5 crew[~~, and~~ from the local community. For the
6 purposes of this paragraph, "local community" means
7 persons who reside more than ten months of the year in
8 the State.

9 [~~(5) Provide evidence of financial or in kind contributions~~
10 ~~or educational or workforce development efforts, in~~
11 ~~partnership with related local industry labor~~
12 ~~organizations, educational institutions, or both,~~
13 ~~toward the furtherance of the local film and~~
14 ~~television and digital media industries.]"~~

15 SECTION 3. Section 235-110.9, Hawaii Revised Statutes, is
16 amended by amending subsection (g) to read as follows:

17 "(g) As used in this section:

18 "Investment tax credit allocation ratio" means, with
19 respect to a taxpayer that has made an investment in a qualified
20 high technology business, the ratio of:

21 (1) The amount of the credit under this section that is,
22 or is to be, received by or allocated to the taxpayer



1 over the life of the investment, as a result of the
2 investment; to

3 (2) The amount of the investment in the qualified high
4 technology business.

5 "Qualified high technology business" [~~means~~]:

6 (1) Means a business, employing or owning capital or
7 property, or maintaining an office, in this State;
8 provided that:

9 [~~(1)~~] (A) More than fifty per cent of its total business
10 activities are qualified research; and provided
11 further that the business conducts more than
12 seventy-five per cent of its qualified research
13 in this State; or

14 [~~(2)~~] (B) More than seventy-five per cent of its gross
15 income is derived from qualified research; and
16 provided further that this income is received
17 from:

18 [~~(A)~~] (i) Products sold from, manufactured in, or
19 produced in this State; or

20 [~~(B)~~] (ii) Services performed in this State~~[-]~~; and

21 (2) Does not include any business or production that
22 qualifies for the motion picture, digital media, and



1 film production income tax credit under section
2 235-17.

3 "Qualified research" means the same as defined in section
4 235-7.3."

5 SECTION 4. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 5. This Act shall take effect upon its approval
8 and shall apply to taxable years beginning after December 31,
9 2007.

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INTRODUCED BY: Carol Finkelman



Report Title:

Income Tax Credit; Motion Picture, Digital Media, and Film Production

Description:

Requires 75% local hire to qualify for the motion picture, digital media, and film production tax credit and excludes media productions from the definition of "qualified high technology business".

