

Honolulu, Hawaii

March 20, 2008

RE: S.B. No. 2273
S.D. 2
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 2273, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO DIGITAL MEDIA,"

begs leave to report as follows:

The purpose of this bill is to bring greater accountability to claims for the Motion Picture, Digital Media, and Film Production Income Tax Credit (Film Tax Credit) by expanding limitations on claiming this tax credit by:

(1) Prohibiting:

- (A) Qualified production costs that are financed by public funds from the State from eligibility for the Film Tax Credit; and
- (B) After June 30, 2008, taxpayers from claiming the Film Tax Credit for qualified productions that are financed, in whole or in part, by investments for which a credit has been claimed by the taxpayer as a qualified high technology business under the High Technology Business Investment Tax Credit

- (2) Requiring the Department of Labor and Industrial Relations (DLIR) to establish an advisory group to conduct a study on the issues relating to the hiring



practices of motion picture, digital media, and film productions in Hawaii, including consideration of ways to promote local hiring; and

- (3) Appropriating funds to pay for expenses related to the study conducted by the advisory group.

The Department of Business, Economic Development, and Tourism, Department of Taxation, and Hawaii Film and Entertainment Board supported the intent of this bill. A concerned individual testified in opposition to this measure. DLIR opposed this measure in part. The Tax Foundation of Hawaii submitted comments.

The High Technology Investment Tax Credit and the 15-20 percent Refundable Motion Picture, Digital Media, and Film Production Income Tax Credit were established to promote economic development, especially in the film industry. However, concerns have been raised about "double dipping," or taking advantage of both tax credits for the same project. This measure attempts to prevent this.

Your Committee has amended this bill by deleting the provisions that:

- (1) Prohibited taxpayers from claiming the Film Tax Credit for qualified productions that are financed, in whole or in part, by investments for which a credit has been claimed by the taxpayer as a qualified high technology business under the High Technology Business Investment Tax Credit after June 30, 2008; and
- (2) Appropriated funds to pay for expenses related to the study conducted by the advisory group.


Your Committee has further amended this measure by:

- (1) Changing its effective date to July 1, 2009; and
- (2) Making other technical, nonsubstantive amendments for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2273, S.D. 2, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as S.B. No. 2273, S.D. 2, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a long, sweeping horizontal stroke that tapers to the right.

ALEX M. SONSON, Chair



State of Hawaii
House of Representatives
The Twenty-fourth Legislature

HSCR 1299-08

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: SB 2273, SD2, HD1	Committee Referral: TAC/EDB, LAB, FIN	Date: 3/18/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. SONSON, Alex M. (C)	✓			
2. NAKASONE, Bob (VC)				✓
3. EVANS, Cindy	✓			
4. HAR, Sharon E.				✓
5. LEE, Marilyn B.	✓			
6. LUKE, Sylvia				✓
7. McKELVEY, Angus L.K.				✓
8. NISHIMOTO, Scott Y.	✓			
9. SOUKI, Joseph M.	✓			
10. TAKAMINE, Dwight Y.	✓			
11. TAKUMI, Roy M.				✓
12. MEYER, Colleen Rose		✓		
13. PINE, Kymberly Marcos				✓
TOTAL (13)	6	1	0	6
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <i>Joseph M. Souki</i>				
Distribution: Original (White) - Committee Duplicate (Yellow) - Chief Clerk's Office				