

Honolulu, Hawaii

Feb 12, 2010

RE: H.B. No. 2382
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committees on Economic Revitalization, Business, & Military Affairs and Higher Education, to which was referred H.B. No. 2382 entitled:

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

beg leave to report as follows:

The purpose of this bill is to develop Hawaii's digital media industry by:

- (1) Establishing digital media enterprise subzones within enterprise zones and surrounding University of Hawaii (UH) campuses, with the initial subzone located near the UH-West Oahu campus;
- (2) Establishing a Digital Media Infrastructure Tax Credit (Infrastructure Credit) and Digital Media Enterprise Subzone Workforce Development Tax Credit (Workforce Credit) for infrastructure development and Hawaii workforce employment within these subzones;
- (3) Encouraging insurance companies to invest in digital media infrastructure projects by authorizing the use of the Infrastructure Credit to offset certain state taxes on insurance companies;
- (4) Renaming the Hawaii Television and Film Special Fund the Hawaii Film Office Special Fund; and



- (5) Allowing the imposition of fees for the administration and certification of the tax credits, to be deposited in the Hawaii Film Office Special Fund.

The Academy for Creative Media of UH, SHM Partners, Hawaii Animation Studios, Castle & Cooke, and a concerned individual supported this bill. UH supported the intent of this measure. The Department of Taxation opposed this bill. Comments were submitted by the Insurance Commissioner of the Department of Commerce and Consumer Affairs and the Department of Business, Economic Development, and Tourism.

Creative media includes products such as film, television, software, video games, animation, and visual effects, and is America's largest economic export after aerospace. Through programs such as the UH Academy for Creative Media and the over 80 media programs throughout the Department of Education (DOE), Hawaii has already begun to develop the creative workforce that is necessary for industry growth and success.

This measure is designed to develop the other components necessary for the growth of this industry - creative media infrastructure, and incentives for businesses to locate their operations and invest in Hawaii - and seeks to align these with Hawaii's existing creative media resources in UH and DOE.

Your Committees have amended this measure by:

- (1) Adding a purpose section to explain how the digital media subzones and tax credits work;
- (2) Clarifying that digital media subzones must fall within existing enterprise zones and are not an independent classification;
- (3) Providing a definition for "Hawaii resident" for the purposes of the Workforce Credit;
- (4) Authorizing a fee to be charged for the costs of certifying qualified labor costs for the Workforce Credit;
- (5) Specifying that fees for the administration and certification of the tax credits as well as taxpayer penalties for submitting fraudulent information in

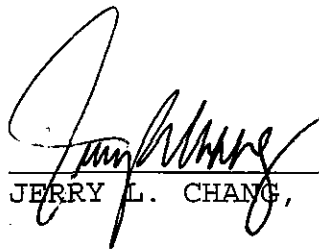


connection with the credit are to be deposited into the Hawaii Film Office Special Fund;

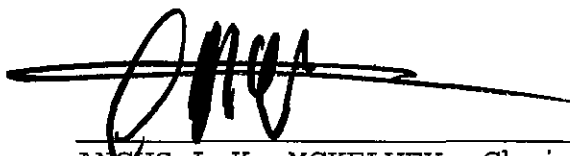
- (6) Changing the effective date to July 1, 2112, to encourage further discussion; and
- (7) Making technical, Nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Economic Revitalization, Business, & Military Affairs and Higher Education that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2382, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2382, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Revitalization, Business, &
Military Affairs and Higher
Education,



JERRY L. CHANG, Chair



ANGUS L.K. MCKELVEY, Chair



