

Honolulu, Hawaii

Feb 11, 2010

RE: H.B. No. 2844
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 Committee on Economic Revitalization, Business, & Military Affairs, to which was referred H.B. No. 2844 entitled:

"A BILL FOR AN ACT RELATING TO THE FILM INDUSTRY,"

begs leave to report as follows:

The purpose of this bill is to provide support for the film industry in Hawaii by:

- (1) Creating a Film Industry Branch Special Fund (Special Fund) for the operation of the Film Industry Branch of the Department of Business, Economic Development, and Tourism (DBEDT);
- (2) Requiring DBEDT to charge fees for certain activities of the Film Industry Branch;
- (3) Imposing a general excise tax surcharge on the gross income of motion picture theater operators and television broadcasting stations; and
- (4) Providing for the deposit of the surcharge and fee revenues into the Special Fund.

The Hawaii Film and Entertainment Board supported a portion of the bill and supported the intent of the rest of the bill. A concerned individual testified in support of this bill. The Department of Budget and Finance, HAWAII NOW: KGMB/KHNL, KHON2,



and KITV testified in opposition to this measure. The Department of Taxation, DBEDT, Tax Foundation of Hawaii, and Oceanic Time Warner Cable provided comments.

As the creative sector, including film and television, are important economic generators for the State of Hawaii as evidenced by recent film and television productions that have occurred in Hawaii, enhancing the functions of the Film Industry Branch of DBEDT with a dedicated source of funding appears to be prudent at this time.

However, your Committee understands and notes the concerns raised by DBEDT that charges for fees other than permitting or tax incentive application fees would jeopardize Hawaii's membership with the Association of Film Commissioners International which is crucial to the State's ability to conduct business, market Hawaii, and compete with other jurisdictions. Your Committee also understands concerns raised regarding the nexus between the charging of fees for the film office and the cable and television industries.

Your Committee has amended this bill by:

- (1) Increasing the general excise tax surcharge imposed on the gross income of theater operators from .1 percent to .2 percent;
- (2) Exempting television broadcasting stations from the new general excise tax surcharge;
- (3) Allowing gifts, donations, and grants from public or private entities, as well as legislative appropriations, to be deposited into the Special Fund;
- (4) Changing the effective date to July 1, 2112, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Revitalization, Business, & Military Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2844, as amended herein, and



recommends that it pass Second Reading in the form attached hereto as H.B. No. 2844, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Revitalization, Business, &
Military Affairs,



ANGUS L.K. MCKELVEY, Chair



State of Hawaii
House of Representatives
The Twenty-fifth Legislature

HSCR 276-10

Record of Votes of the Committee on Economic Revitalization, Business, & Military Affairs

Bill/Resolution No.: HB 2844	Committee Referral: EBM, FIN	Date: Feb 4, 2010		
<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)				
EBM Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. CHOY, Isaac W. (VC)	✓			
3. BERG, Lyla B.	✓			
4. EVANS, Cindy	✓			
5. MANAHAN, Joey				✓
6. TAKAI, K. Mark	✓			
7. TOKIOKA, James Kunane				✓
8. TSUJI, Clift				✓
9. WAKAI, Glenn	✓			
10. WOOLEY, Jessica	✓			
11. WARD, Gene	✓			
TOTAL (11)	8			3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: _____ <div style="text-align: center; font-size: small;"> </div>				
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