

Honolulu, Hawaii

Feb 18, 2011

RE: H.B. No. 1551
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Economic Revitalization & Business, to which was referred H.B. No. 1551 entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose of this measure is to encourage the growth of the Hawaii film industry by providing enhanced incentives to attract more film and television productions to Hawaii, thereby generating increased tax revenues.

More specifically, this measure:

- (1) Increases the amount of the motion picture, digital media, and film production income tax credit;
- (2) Removes the existing cap on the motion picture, digital media, and film production income tax credit;
- (3) Provides an additional income tax credit for qualified spending related to computer aided special or visual effects and animation;
- (4) Establishes a non-refundable tax credit with a carry forward period of up to ten years to encourage media infrastructure development;



- (5) Exempts from the transient accommodations tax expenditures for transient accommodations stays exceeding thirty days; and
- (6) Permits certain production tax credits to be assigned.

The Mayor of the County of Maui, Relativity Media, LLC, RelativityREAL, Utica Films, Shangri-La Industries and Shangri-La Entertainment, Hawaii Laborers-Employers Cooperation and Education Trust, U.S. Green Building Council, a former President of the United States, and two private individuals testified in support of the measure. The Department of Business, Economic Development, and Tourism commented on the measure.

Your Committee finds that this measure could benefit the State by encouraging expansion of the local film and television industry. However, your Committee also notes the concerns raised by the Department of Business, Economic Development, and Tourism regarding the need to maintain stability in the current tax credit program.

Your Committee has amended this measure by:

- (1) Deleting the increases in the amount of the motion picture, digital media, and film production income tax credit;
- (2) Deleting the exemption from the transient accommodations tax;
- (3) Renaming the "qualified local crew training program" the "qualified persons crew training program";
- (4) Adding a definition for "qualified person";
- (5) Restoring the requirement that, in order to claim the motion picture, digital media, and film production income tax credit, a taxpayer must provide evidence of efforts to further the local film and television and digital media industries;
- (6) Clarifying that only qualified media infrastructure project income tax credits are assignable;



- (7) Specifying reporting and security requirements to participate in the qualified media infrastructure project income tax credit program;
- (8) Providing that failure to complete a qualified media infrastructure project within five years of initial certification shall result in ineligibility for, and recapture of, tax credits; and
- (9) Changing the effective date to July 1, 2112, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Economic Revitalization & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1551, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1551, 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,



ANGUS L.K. MCKELVEY, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

HSCE 502

Record of Votes of the Committee on Economic Revitalization & Business

Bill/Resolution No.: <i>HB 1551</i>	Committee Referral: <i>ERB, FIN</i>	Date: <i>2/17/11</i>		
<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)				
ERB Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. CHOY, Isaac W. (VC)	✓			
3. AWANA, Karen L.	/			
4. BROWER, Tom	/			
5. EVANS, Cindy	✓			
6. HASHEM, Mark J.	✓			
7. NISHIMOTO, Scott Y.	✓			
8. TOKIOKA, James Kunane	✓			
9. TSUJI, Cliff	✓			
10. MARUMOTO, Barbara C.	✓			
11. PINE, Kymberly Marcos		✓		
TOTAL (11)	<i>10</i>	<i>1</i>	<i>0</i>	<i>0</i>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small style="margin-left: 100px;">committee acronym(s)</small>				
Vice Chair's or designee's signature: _____ 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				