

Honolulu, Hawaii

APR 05 2012

RE: H.B. No. 2869
H.D. 2
S.D. 2

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 2869, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE ECONOMY,"

begs leave to report as follows:

The purpose and intent of this measure is to support the motion picture, digital media, and film production industries in the State.

More specifically, the measure, among other things:

- (1) Establishes the Hawaii film and digital media special fund and provides that the moneys deposited into the fund shall include quarterly payments made by the Department of Taxation, in an amount equal to two per cent of the total aggregate wages and salaries paid to legal residents of the State by qualified productions and qualified infrastructure projects;
- (2) Repeals part IX of chapter 201, Hawaii Revised Statutes, relating to Hawaii television and film development;
- (3) Amends the motion picture, digital media, and film production income tax credit by:
 - (A) Adding an additional credit amount for an unspecified per cent of the qualified production



costs paid to legal residents of this State and to Hawaii vendors and Hawaii suppliers;

- (B) Amending the total tax credit cap to an unspecified amount;
 - (C) Authorizing the Department of Business, Economic Development, and Tourism to establish and charge a fee for generating the taxpayer letter that states the taxpayer's qualified production costs and tax credit amount and is required to be submitted to the Department of Taxation;
 - (D) Requiring the Department of Business, Economic Development, and Tourism to report annually to the Governor and the Legislature on the return on investment and economic benefits of the tax credit to the State; and
 - (E) Requiring increased hiring of legal residents of this State;
- (4) Establishes a motion picture, digital media, and film production infrastructure tax credit for an unspecified per cent of qualified infrastructure costs with an unspecified cap on the tax credit claimed;
 - (5) Appropriates funds to the Department of Business, Economic Development, and Tourism and the Department of Accounting and General Services for additional resource and staffing support to assist state agencies in collecting and reporting annually on estimates of the full-time equivalent positions for legal Hawaii residents by each production receiving tax credits; and
 - (6) Deletes the motion picture, digital media, and film production income tax credit sunset date of July 1, 2016.

Written comments in support of this measure were submitted by the Department of Business, Economic Development, and Tourism; Hyperserspective Studios; Island Film Group; SHM Partners/Film Studio Group; and two individuals. Written comments on this measure were submitted by the Department of Budget and Finance.



Your Committee believes that this measure will stimulate the State's economy by fostering the expansion of Hawaii's film, television, entertainment, digital media, and music industries. Your Committee finds that, in recent years, the success of film and television productions in the State has demonstrated great potential to bolster both the local economy and the State's primary industry of tourism. Your Committee also finds that the incentives provided by this measure will encourage the use of Hawaii as a site for filming and the digital production of films and help to develop and sustain the workforce and infrastructure necessary for the growth of Hawaii's film, television, entertainment, digital media, and music industries.

Your Committee has amended this measure by:

- (1) Providing that the quarterly payments to the Hawaii film and digital media special fund shall be made by the Director of Finance, rather than the Department of Taxation;
- (2) Specifying that the additional credit amount to the motion picture, digital media, and film production income tax credit shall be equal to ten per cent of the qualified production costs paid to legal residents of this State and to Hawaii vendors and Hawaii suppliers;
- (3) Clarifying that information provided to fulfill reporting requirements regarding full-time equivalent positions created by qualified productions and qualified infrastructure projects for legal Hawaii residents shall be based on the actual numbers of full-time equivalent positions, rather than estimates;
- (4) Increasing the tax credit cap for the motion picture, digital media, and film production income tax credit from \$8,000,000 to \$16,000,000 per qualified production;
- (5) Specifying that the amount of the motion picture, digital media, and film production infrastructure tax credit shall be equal to fifty per cent of qualified infrastructure costs;
- (6) Specifying that the tax credit cap for the motion picture, digital media, and film production



infrastructure tax credit shall be \$25,000,000 for each qualified infrastructure project;

- (7) Requiring the Department of Business, Economic Development, and Tourism to contract with the Hawaii Tourism Authority for the development of a film and digital media implementation plan to leverage marketing and promotional opportunities with the Hawaii Tourism Authority's current marketing efforts;
- (8) Authorizing the Department of Business, Economic Development, and Tourism and the Department of Taxation, respectively, to establish new positions to address the expanded workload and processing requirements related to the tax credits amended or established by this measure and appropriating funds to fund those positions; and
- (9) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2869, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2869, H.D. 2, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2869 SD1	EDT, WAM	4-2-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	/			
KIDANI, Michelle N. (VC)	/			
CHUN OAKLAND, Suzanne	/			
DELA CRUZ, Donovan M.				/
ENGLISH, J. Kalani	/			
ESPERO, Will	/			
FUKUNAGA, Carol	/			
KIM, Donna Mercado	/			
KAHELE, Gilbert	/			
KOUCHI, Ronald D.	/			
RYAN, Pohai	/			
TOKUDA, Jill N.	/			
WAKAI, Glenn	/			
SLOM, Sam			/	
TOTAL	12	0	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes