

Honolulu, Hawaii

March 23, 2012

RE: S.B. No. 2111
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Economic Revitalization & Business, to which was referred S.B. No. 2111, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT,"

begs leave to report as follows:

The purpose of this measure, as received by your Committee, is to capitalize on the convergence of Hawaii's film, television, entertainment, digital media, and music industries by pursuing long-term growth through a comprehensive strategy to grow high-quality local jobs in these industries by, among other things:

- (1) Establishing the Hawaii film and digital media special fund;
- (2) Amending the motion picture, digital media, and film production income tax credit percentages and the total tax credit cap; and
- (3) Establishing a motion picture, digital media, and film production infrastructure tax credit.

For the purposes of a public hearing on this bill, your Committee circulated Proposed S.B. No. 2111, S.D. 2, H.D. 1, and notified the public that it would be accepting testimony on the proposal, which:

SB2111 HD1 HSCR ERB HMS 2012-3038



- (1) Establishes the qualified media infrastructure projects special fund, which will consist of proceeds from revenue bonds issued to assist individuals with qualified media infrastructure projects;
- (2) Extends the motion picture, digital media, and film production tax credit to January 1, 2025;
- (3) Raises the qualified production tax credit ceiling to an unspecified amount from \$8,000,000;
- (4) Separates the calculation of the credit amount based on wages and salaries from the credit amount based on other qualified production costs; and
- (5) Provides different credit amounts based on residence within the counties for the wages and salaries paid to all cast, crew, and musicians of the qualified production, plus an additional unspecified percentage credit amount on wages and salaries of cast, crew, and musicians who are state residents.

Hyperserspective Studios, Inc.; ILWU Local 142; Screen Actors Guild; International Alliance of Theatrical Stage Employees Mixed Local 665; American Federation of Musicians Local 677; Hawaii Teamsters Local 996; and several individuals testified in support of the proposed draft. The Department of Business, Economic Development, and Tourism, Department of Budget and Finance, and an individual testified in support of the intent of proposed draft. The Department of the Attorney General and Tax Foundation of Hawaii provided comments on the proposed draft.

Your Committee has amended the Proposed Draft by:

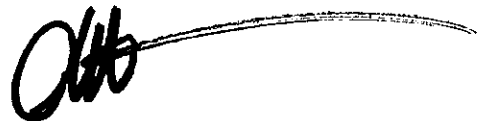
- (1) Deleting the qualified media infrastructure projects special fund;
- (2) Increasing the credit ceiling per qualified production to \$16,000,000 from \$8,000,000;
- (3) Specifying that the credit amount be left as 15 percent of the qualified production costs in any county of the State with a population of over 700,000 and increased to 25 percent in any county of the State with a population of 700,000 or less;



- (4) Including an additional five percent for the wages and salaries of cast, crew, and musicians included in the qualified production costs incurred by a qualified production in the State who are residents of the State and to Hawaii vendors and suppliers;
- (5) Specifying that legal residency is demonstrated by evidence that an individual has filed a Hawaii income tax return for the previous taxable year and has a valid Hawaii driver's license or other state-issued identification;
- (6) Deleting the definition of "resident of the State";
- (7) Changing the effective date to January 1, 2112, to promote further discussion; and
- (8) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

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 S.B. No. 2111, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2111, S.D. 2, 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



