

**HB 2869, HD 2
EDT**



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Wednesday, March 14, 2012
1:30 p.m.
State Capitol, Conference Room 016
in consideration of
HB2869 HD2

RELATING TO THE ECONOMY

Chair Fukunaga, Vice Chair Wakai, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) offers the following comments on HB2869 HD2, which extends the sunset date for Act 88 (HRS 235-17) from 1/1/16 to 1/1/25; raises qualified production credit ceiling from \$8 million to an unspecified amount; separates the calculation of the credit amount based on wages and salaries from the credit amount based on other qualified productions costs; provides an additional unspecified percent credit amount on wages and salaries of cast, crew and musicians who are state residents.

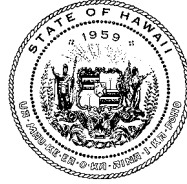
DBEDT appreciates the legislature's support of our film industry and the recognition of the importance of the Act 88 program. We support the intent of this measure, particularly as it broadens the qualifying criteria of the credit to include the music industry, but are concerned about the cost implications of the increases proposed.

We note that should there be any increases to our existing tax credit for film and digital media it will increase the volume of production and digital media business, thereby increasing the need for additional funding to staff and manage the workload of the State's film program.

Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Carol Fukunaga, Chair
And Members of the Senate Committee on Economic Development & Technology

Date: Wednesday, March 14, 2012
Time: 1:30 p.m.
Place: Conference Room 016, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 2869 H.D. 2 Relating to the Economy

The Department of Taxation (Department) appreciates the intent of H.B. 2869 H.D. 2, but the Department would prefer the provisions of H.B. 2479 or S.B.2741, which take a more measured approach to supporting the creative media industry.

H.B. 2869 H.D. 2 extends the motion picture, digital media, and film production tax credit to January 1, 2025 from January 1, 2016 and raises the qualified production tax credit ceiling to an unspecified amount from \$8,000,000. The measure separates the calculation of the credit amount based on wages and salaries from the credit amount based on other qualified production costs and 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 per cent credit amount on wages and salaries of cast, crew, and musicians who are state residents. If passed, this bill would become effective July 1, 2030.

For consistency, the Department recommends that in at the end of section 2 of the bill, the definition of "resident" shall be revised to read:

"Resident of the State" means a "resident" as defined in section 235-1 and who has filed resident tax returns in the State for the previous five consecutive taxable years."

The Department notes that any increase in the production credit over the current levels set forth in subsection (a) will have an impact on the current financial plan.

Thank you for the opportunity to provide comments.



554 PAOPUA LOOP . KAILUA, HAWAI'I 96734
PH: (808) 261-1044
PUNAHELE@HAWAII.RR.COM

To: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Members of the Committee

From: Jim Linkner
Managing Member
Blind Man Sound LLC

Date: March 13, 2012

Re: Testimony in STRONG SUPPORT of the Spirit and Intent of HB2869, HD2

Aloha, Chair, Vice Chair, and Members of the Committee:

My name is Jim Linkner. I am a music producer, engineer and marketing director.

I STRONGLY SUPPORT the spirit and intent of HB2869, HD2 as the passage of this legislation will: 1) have a dramatic positive effect upon Hawaii's creative industries; 2) create quality, good paying jobs for Hawaii residents; and 3) help promote Hawaii as a desirable tourist destination.

In the past, we've been often supported by the film, television and tourist industry through licensing of our recordings and new music creation. In the past, the State's tax breaks for the digital industry have helped Blind Man Sound and its associated labels immensely with the ability to recover production costs, especially in these lean times in Hawaii's music industry.

Very truly yours,

**Testimony to the Senate Committee on Economic Development and
Technology
Wednesday, March 14, 2011 at 1:30 p.m.
Conference Room 016, State Capitol**

RE: HOUSE BILL NO. 2869 HD2 RELATING TO THE ECONOMY

Chair Fukunaga, Vice Chair Wakai, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") respectfully requests that the committee pass HB 2869 HD2 for further discussion.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports initiatives and industries that will attract business and jobs to our State. One of the industries that appear to have a growing presence is film. This industry has steadily been establishing a job base, marketing and exposing Hawaii to an international audience, and providing commerce to many of our businesses, especially small ones. Furthermore, the various locations where movies and television shows have been filmed have created an additional attraction for visitors, thus contributing to the tourism industry.

As such, the Chamber supports legislation that provides incentives to attract, retain and grow industries as well as workforce in Hawaii. The extension provided in these bills will help generate and maintain a higher number of jobs per tax dollar, generate higher tax revenues for dollar spent, and stimulate significantly more economic activity in the state per dollar of tax credit. Also, the credit will strengthen the State's effort to compete with other destinations in the national and international arena, and help broaden and diversify Hawaii's economic base.

Thank you for the opportunity to provide comments.

TESTIMONY OF NBC UNIVERSAL MEDIA, LLC

HEARING DATE/TIME: Wednesday, March 14, 2012
1:30 p.m. in Conference Room 016

TO: Senate Committee on Economic Development and Technology

RE: Testimony in Support of the Spirit and Intent of HB2869, HD2

Dear Chair, Vice-Chair and Committee Members:

I. INTRODUCTION

Over the last several years, local industry stakeholders, the Hawaii Legislature and the people of Hawaii have developed a clear consensus that the motion picture, television and related digital media industries (the “Film Industry”) in Hawaii has become an important component of a diversified economy and has had a positive financial impact on the State of Hawaii which can be strengthened significantly if Hawaii’s existing incentives for the Film Industry are enhanced.

As a result of the enormous infusion of cash that Film Industry productions bring to production locales, there has been a dramatic increase in the number of state and local governments attempting to attract film productions.

Recent studies have confirmed that these jurisdictions have experienced dramatic increases in in-state spending and significant growth in workforce and infrastructure development due to film productions in those state and local jurisdictions, that such productions stimulate direct and indirect tax revenue and that a properly designed tax incentive program can actually increase (on a net basis) local tax revenues. (See, Ernst & Young - Economic and Fiscal Impacts of the New Mexico Film Product Tax Credit; Meyers Norris Penny - Economic Contributions of the Georgia Film and Television Industry; Cloudberry Communications – The Millennium Report (Economic impact and exposure value for the Stockholm region in the Swedish Millennium feature films); Ernst and Young – NBC-Universal: Economic Impact of Filming a Television Series in Oregon).

It is also clear that the State of Hawaii should encourage similar growth because the Film Industry:

- (1) Infuses significant amounts of “new” (off shore) money into the economy, which is dispersed across many communities and businesses and which benefits a wide array of residents; and
- (2) Creates skilled, high-paying jobs; and
- (3) Has a natural dynamic synergy with Hawaii's top industry, tourism, and is used as a destination marketing tool for the visitor industry. In this regard, preliminary studies suggest a

strong correlation between exposure to movies and television programming produced in Hawaii and visitor interest in Hawaii as a tourist destination; and

(4) Acts synergistically to bolster the local music industry and thereby assists in preserving and disseminating Hawaii's host culture by introducing millions of people around the world to Hawaii's recording artists, music and dance. A compelling example of these benefits can be seen in connection with the critically acclaimed and popular motion picture "The Descendants" produced and directed by Alexander Payne and based upon a novel by local author Kauai Hart Hemmings. The Descendants garnered a Best Picture award at the prestigious Golden Globe Awards and landed George Clooney a Golden Globe for Best Actor. In addition, The Descendants was nominated for the following Oscars in 2012: Best Picture, Best Actor, Best Director, Best Adapted Screenplay, and Best Editing and won the Oscar for Best Adapted Screenplay. The Descendants boasts a fabulous sound track consisting entirely of preexisting musical compositions and sound recordings written and performed by up and coming and iconic local musicians from Makana and Jeff Peterson to Sonny Chillingworth and Gabby Pahinui; and

(5) Is a clean, nonpolluting industry that values the natural beauty of Hawaii and its diverse multicultural population and wide array of architecture.

The Film Industry also has a strong desire to hire locally and invest in the training and workforce development of island-based personnel and intends to continue the practice of hiring a significant number of residents and to support training and opportunities for those residents.

However, it is respectfully submitted that in order to stimulate such dramatic growth it is necessary to enhance Hawaii's existing tax incentive program (that uses the front-end budgeting methods normally used by the Film Industry and that lower production costs) in order to allow Hawaii to effectively compete with other film production centers in attracting a greater number of significant projects to the islands and to continue to build our local film industry infrastructure. In this regard, the Film Industry currently ranks Hawaii dead last – 21st out of 21 jurisdictions – in terms of "net affordability" even after application of our existing tax incentives. Hawaii is ranked behind the following production locations: Detroit, MI; Calgary, Alberta; Shreveport, LA; Birmingham, AL; Toronto, Ontario; Montreal, Quebec; Atlanta, GA; Chicago, IL; Vancouver, B.C.; Wilmington, NC; Albuquerque, NM; San Juan, PR; New York, NY; Philadelphia, PA; Boston, MA; Austin, TX; Providence, RI; Miami, FL; Stamford, CT; and Nashville, TN.

II. PROPOSED MODIFICATIONS TO ACT 88 THAT ARE LIKELY TO SIGNIFICANTLY INCREASE PRODUCTION ACTIVITY IN HAWAII

NBC Universal Media, LLC ("NBC/U") develops, produces, broadcasts and distributes motion pictures, television programs and related content around the world. In the Spring of 2011, the State of Hawaii, through the Creative Industries Division of DBEDT, reached out to NBC/U to inquire as to what NBC/U would consider to be essential modifications to Hawaii film tax incentive program in order to build and sustain a robust Film Industry in Hawaii. After careful consideration, NBC/U recommended a few reasonable and measured modifications to Act 88 designed to make Hawaii's incentive program more stable, competitive and technologically

friendly given the emerging significance of internet delivered content as an adjunct to traditional content delivery. Specifically, the following modifications to Act 88 (the “Proposed Act 88 Modifications”) were respectfully recommended:

(1) Increase the refundable production credit (“RPC”) by 10% **with the increase tied to local hires/vendors.**

(2) Eliminate the prohibition against internet only projects from qualifying for the RPC and make the law technologically transparent.

(3) Allow pass-through entities to recover the RPC directly.

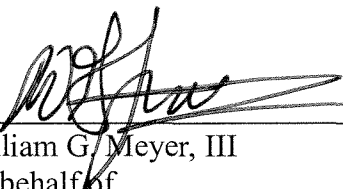
(4) Increase the per production RPC cap from \$8,000,000 to \$16,000,000.

(5) Allow webisodes to be included in the RPC application for the related series (avoids failing to meet the \$200K minimum spend).

(6) Extend sunset date of Act 88 to at least 2025 to assure certainty and predictability for long term production planning.

III. CONCLUSION

While Hawaii may be perceived as a highly desirable destination that would instinctively attract the Film Industry, the State needs to take affirmative steps to ensure Hawaii is at the top of the list and not left behind in the wake of other domestic and international locales. The proposed Act 88 modifications will help to ensure Hawaii is competitive with film destinations around the globe and does so in a manner that is sustainable and rational for the long term. NBC/U stands ready to work with the Legislature, the Administration and local Film Industry stakeholders to improve and enhance Hawaii’s film incentive program to help build a robust, stable and sustainable Film Industry in the State of Hawaii.



William G. Meyer, III
On behalf of
NBC Universal Media, LLC

To: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Members of the Committee

From: Remington Scott
Founder / Partner
Continuum Icon

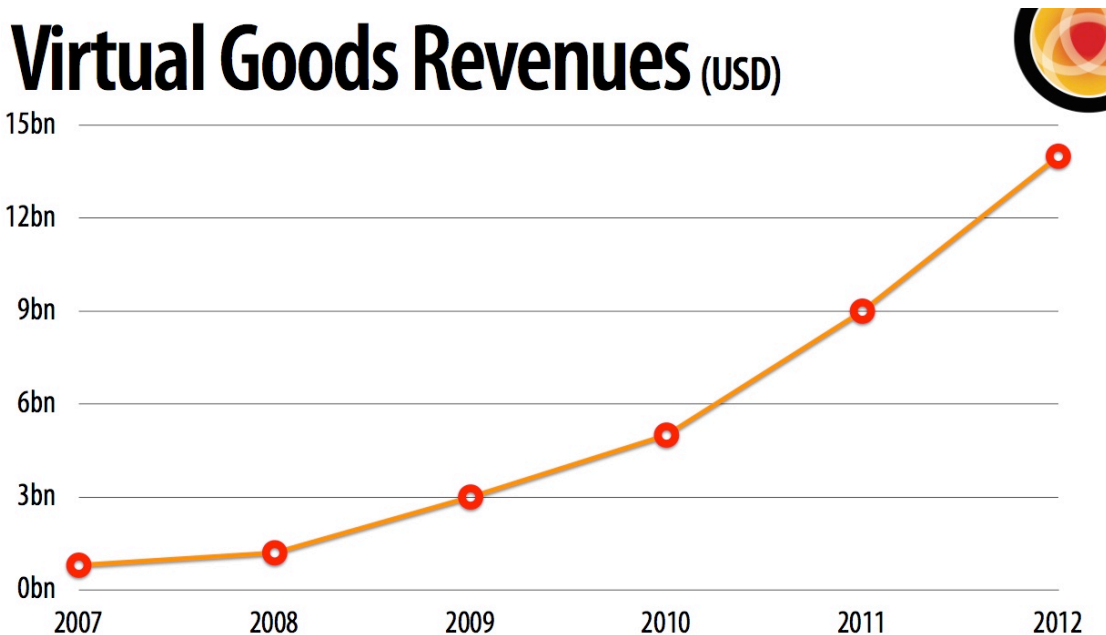
Date: March 12, 2012

Re: Testimony in STRONG SUPPORT of HB2869, HD2

Aloha, Chair, Vice Chair, and Members of the Committee:

I STRONGLY SUPPORT HB2869, HD2 as this legislation will create quality good paying jobs for Hawaii residents, have a dramatic effect on Hawaii's creative industries and infuse new money into the local economy.

The digital media market has seen phenomenal growth in the past decade, but none so drastic as the virtual goods revenues (these are digital media assets that only exist in digital form). In 2007 the yearly revenue of the virtual goods market was in the USD 300 million range, **this year it is projected to exceed USD 14 billion.**



Source: KZero. Includes VG's from VW's, socnets and cross-world



In a 2011 Ecommerce article for BizReport.com it states that virtual goods are a hot commodity for consumers and for merchants heading into the second decade of the 21st century. But the consumption is much higher in one place. *One region of the globe is far and away the top purchaser and consumer of virtual goods: the Asia / Pacific region.*

According to a 2011 report from In-Stat, the Asia / Pacific region is responsible for **70% of worldwide revenue for virtual goods**. That means that 70% of the yearly revenue of USD 14 billion is centered in the Asia / Pacific region (an estimated USD 9.8 billion for 2012).

Hawaii is poised in the center of the global region of the highest growth for this new media marketplace.

This staggering percentage of the next major marketplace for economic growth illustrates the potential future for Hawaii's high technology digital media industry.

We are at the beginning of a global economic boom, in the global center of the regional area with the greatest consumption. However, ask yourself how much of the USD 14 billion dollar per year (and growing!) virtual goods industry is Hawaii currently reaping?

We need the Economic Development and Technology Committee to recognize growing trends in new revenue for future generations so we can compete in the new digital asset marketplace and grab a global foothold of this double-digit billion dollar per year industry. Capturing a percentage of the digital media market infuses significant amounts of 'new' (offshore) money into the local economy which is dispersed across many communities and businesses and will benefit a wide array of residents.

My company understands the potential for growth in Hawaii and is committed to creating skilled high paying jobs. But we can't do it alone. We need the help of the Economic Development and Technology Committee to recognize that HB2869,HD2 are going to help Hawaii grow. In order to stimulate such dramatic growth it is necessary to enhance Hawaii's existing tax incentive program which will allow Hawaii to effectively compete in building infrastructure and being competitive on a global scale in this clean, nonpolluting industry.

Please feel free to contact me with any questions concerning my testimony.

Mahalo.

To: Senate Committee on Economic Development and
Technology

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Members of the Committee

From: Zachary Marcus Bruner
Founder/Partner
Continuum Icon

Date: 3/13/12

**Re: Testimony in STRONG SUPPORT of the Spirit and
Intent of HB2869, HD2**

Aloha, Chair, Vice Chair, and Members of the Committee:

My name Zachary Bruner. I am a founder & partner of a digital tech company.

I STRONGLY SUPPORT the spirit and intent of HB2869, HD2 as the passage of this legislation will: 1) have a dramatic positive effect upon Hawaii's creative industries; 2) create quality, good paying jobs for Hawaii residents; and 3) help promote Hawaii as a desirable tourist destination.

A strong, robust and self-sustaining entertainment industry is one of the most promising economic and job-creating stimuli available to Hawaii today. My business will help create a new medium in Hawaii through the field of digital entertainment, catering to tourists and locals alike. Work incentives for new

employees and financial institutions, from both foreign and domestic groups, would be increased greatly by the passing of this legislation. The state already has legislature in place that promotes incentive for foreign and domestic interests to come to Hawaii and help her flourish; what we must do now is play to that strength. If this legislation were to pass, it would only serve to increase the strength of our local economy as well as bolster Hawaii's workforce, creating quality, high-paying jobs. Hawaii is in a very unique position to further develop its entertainment industry and become a leader in not just the film industry, but many other mediums as well. Strengthening Hawaii's entertainment industry works hand in hand with bolstering the state's tourism, one of our greatest assets.

Very truly yours,

Zachary Bruner



To: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Members of the Committee

From: John Orland
President
Crossroads Productions, Inc.

Date: March 13, 2012

Re: Testimony in STRONG SUPPORT of the Spirit and Intent of HB2869, HD2

Aloha, Chair, Vice Chair, and Members of the Committee:

My name is John Orland. I am a motion picture producer.

I STRONGLY SUPPORT the spirit and intent of HB2869, HD2 as the passage of this legislation will: 1) have a dramatic positive effect upon Hawaii's creative industries; 2) create quality, good paying jobs for Hawaii residents; and 3) help promote Hawaii as a desirable tourist destination.

As a filmmaker since 1969, I have extensive experience and first-hand knowledge of the positive economic impact of financial incentives on creative industries. On a personal note, during the filming of a TV pilot in 1978, I was rescued at Waimea Bay by Eddie Aikau, and as a result, have a special love for and interest in Hawaii. I am currently developing a big wave surfing movie set in Hawaii.

Very truly yours,

/John Orland/

P.O. Box 1150, Summerland, CA 93067 • 310.918.0599

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 13, 2012 1:16 PM
To: EDTTestimony
Cc: dean@hawaiiimedia.com
Subject: Testimony for HB2869 on 3/14/2012 1:30:00 PM

Testimony for EDT 3/14/2012 1:30:00 PM HB2869

Conference room: 016
Testifier position: Support
Testifier will be present: Yes
Submitted by: Dean Des Jarlais
Organization: Individual
E-mail: dean@hawaiiimedia.com
Submitted on: 3/13/2012

Comments:

To Senate Committtee on Economic Development and Technology, Senator Carol Fukunaga, Chair, Senator Glenn Wakai, Vice Chair, Members of the Committee

From: Dean Des Jarlais, Treasurer, Hawaii Media Inc.

March 13, 2012

Re: Testimony in STRONG SUPPORT of the Spirit and Intent of HB2869,HD2

Aloha Chair, Vice Chair, and Members of the Committee:

My name is Dean Des Jarlais. I am the co-owner of Hawaii Media Inc., the largest equipment rental company in Hawaii servicing the film and television industry.

I STRONGLY SUPPORT the spirit and intent of HB2869, HD2 as the passage of this legislation will: 1) have a dramatic positive effect upon Hawaii's creative industries; 2) create quality, good paying jobs for Hawaii residents; and 3) help promote Hawaii as a desirable tourist destination.

This legislation is essential to continue the growth of our labor pool and infrastructure. Hawaii must realize that this legislation represents an important investment in the future, creating opportunities for the employment and exposure in the tourism market.

Very truly yours,
Dean Des Jarlais



To: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Members of the Committee

From: Jonathan Yudis
President & Creative Director
Infinite Entertainment Now

Date: 3/10/12

Re: Testimony in STRONG SUPPORT of the Spirit and Intent of HB2869, HD2

Aloha, Chair, Vice Chair, and Members of the Committee:

My name is Jonathan Yudis. I am a filmmaker and owner of the entertainment and media company 'Infinite Entertainment Now.'

I STRONGLY SUPPORT the spirit and intent of HB2869, HD2 as the passage of this legislation will: 1) have a dramatic positive effect upon Hawaii's creative industries; 2) create quality, good paying jobs for Hawaii residents; and 3) help promote Hawaii as a desirable tourist destination.

As an active writer, producer, and director with projects designed and slated for production here in Hawaii, this bill will directly impact my business and career.

Very truly yours,

Jonathan Yudis

A VISIONARY MEDIA COMPANY

PH: 323-353-0968 • E: InfiniteFilms@gmail.com • JonathanYudis.com • InfiniteEntertainmentNow.com



March 10, 2012

TO: Senate Committee on Economic Development and Technology
The Honorable Carol Fukunaga, Chair
The Honorable Glen Wakai, Vice Chair

FROM: Ricardo S. Galindez, Co-Owner, Island Film Group
Roy J. Tjioe, Co-Owner, Island Film Group

RE: Testimony In Support of HB 2869 with Recommendations

Aloha Chair, Vice Chair, and Members of the Committee:

Thank you for the opportunity to testify in support of HB 2869 HD2

After review of HB 2869 HD2, following are our proposed amendments that we believe will 1) **increase the incentive** for film and television projects in Hawaii, 2) **increase the number of resident hires** both on Oahu and the neighbor islands, 3) **increase the amount of overall production spending in Hawaii**, and 4) **increase collected tax revenue** for Hawaii

We support a **wage-based production incentive** that layers the incentive in the following order:

1. W-2 wage credit (residents and non-residents)
2. W-2 bonus wage credit (Hawaii residents only)
3. W-2 neighbor island bonus wage credit (Hawaii residents only)

The benefits of this approach gives incentives to hire Hawaii residents with an added bonus if hiring is done from the within the county where the production takes place.

Additional Recommendations:

Replace the current tax credit with a wage-based production incentive

1. 30% W-2 wage credit (residents and non-residents)
2. 20% W-2 bonus wage credit (Hawaii residents only)
3. 10% W-2 neighbor island bonus wage credit (Hawaii residents only)
4. No cap on the combined wage credits BUT total wage base upon which the credit is claimed cannot exceed total production expenditures paid to Hawaii GET licensed vendors (in other words, for every dollar of W-2 wages for which a credit is claimed there will need to be a dollar of GE spend, resulting in 50%/50% ratio in all cases).

In other words, **the credit will never be more than 30% of total Hawaii taxable spend**, assuming 100% resident hire on neighbor islands, since the wage credit can only be claimed on a maximum of 50% of total Hawaii spend (60% wage credit on 50% of total spend equals 30% of total spend) **and can not exceed 25% of total Hawaii taxable spend assuming 100% resident hire on Oahu** (50% wage credit on 50% of total spend equals 25% of total spend).

The benefits of this approach are as follows:

1. **A clear incentive to hire residents**, both here and on the neighbor islands (instead of bringing crew from LA to the neighbor islands which would only give a 30% credits, if they hire residents they will get a 60% credit)
2. **Encourages the purchasing and development of other goods and services** in Hawaii that are now sourced or performed outside Hawaii (e.g. post production) in an effort to match the Hawaii GE spend with the Hawaii W-2 spend.
3. **Only applies to W-2 wages** (and not loan-outs) so Department of Labor as well as payroll company wage reports can be used for an easy audit.
4. Provides Vendor GE information to allow easy audit of vendors

End Credit Requirement

We would suggest that productions be required to place the current color logo used by the HTA in the end credits (New York has a logo with red that really stands out)

Tax Settlement Agreements

Require DoTax to allow for **non-resident employee tax settlement agreements** where they agree to pay Hawaii income tax on 100% of their income at the highest taxable rate in lieu of filing a Hawaii tax return.

Registration Requirement

There is currently too much emphasis (and time spent) on the pre-registration process. A simple web-based registration should suffice. The pre-registration process should only be used to notify the Hawaii Film Office of impending production, not as a trap for the unwary.

Residency Requirement

Some of our best local crew members have not been residents of Hawaii for five years. If we are to build a larger crew base to match the amount of production work we hope to generate there should be a way for individuals who become bona fide residents of Hawaii to work as such.

Thank you for your continued effort on behalf of Hawaii's film and television production community. Please let us know if you have any questions or would like to discuss the above.

About Island Film Group

Island Film Group (IFG) is one of the largest local film and television production companies in Hawaii. Since its formation in 2007, IFG has produced a television series (“Beyond the Break”), three television movies for Lifetime Television Network, countless national and international television commercials, and three independent feature films (“Soul Surfer”, “Princess Ka`iulani”, and “Knots”). Our projects have employed hundreds of Hawaii residents and spent millions of dollars on local goods and services. In addition, IFG, in partnership with Hawaii Media Inc., owns and operates Halawa Valley Studios, the largest private film and television production facility in Hawaii.

Thank you for the opportunity to testify on this important bill.



PUNAHELE PRODUCTIONS

554 PAOPUA LOOP
KAILUA, HAWAII 96734
PH: (808) 261-1044
PUNAHELE @ HAWAII.RR.COM

To: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Members of the Committee

From: Jim Linkner
Secretary/Treasurer
Punahele Productions Inc.

Date: March 13, 2012

Re: Testimony in STRONG SUPPORT of the Spirit and Intent of HB2869, HD2

Aloha, Chair, Vice Chair, and Members of the Committee:

My name is Jim Linkner. I am a music producer, engineer and marketing director.

I STRONGLY SUPPORT the spirit and intent of HB2869, HD2 as the passage of this legislation will: 1) have a dramatic positive effect upon Hawaii's creative industries; 2) create quality, good paying jobs for Hawaii residents; and 3) help promote Hawaii as a desirable tourist destination.

In the past, we've been often supported by the film, television and tourist industry through licensing of our recordings and new music creation...most noteworthy being Keali'i Reichel. In fact, we just completed production of music for the new Disney Aulani resort. In the past, the State's tax breaks for the digital industry have helped immensely to our ability to recover our production costs, especially in these lean times in Hawaii's music industry.

Very truly yours,

A handwritten signature in cursive script that reads "Jim Linkner". The signature is written in black ink and is positioned above a horizontal line.



Tetris Online, Inc.
55 Merchant Street, Suite 2100
Honolulu, Hawaii 96813

March 12th, 2012

TO: Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Members of the Committee on Economic Development and Technology

DATE: Wednesday, March 14th, 2012
TIME: 1:30pm
PLACE: Conference Room 016, State Capitol

RE: H.B. 2869, HD2 – Relating to the Economy

FROM: Dean Hirata, CFO, Tetris Online, Inc.
Michael J.W. Chun, Marketing Manager, Tetris Online, Inc

Tetris Online, Inc. supports the intent of HB 2869, HD2 – Relating to the Economy

Today, Tetris Online employs over 50 people in Hawaii. Nationwide, competition for digital media employees is fierce, which makes it increasingly difficult to attract and retain employees, even the ones who have strong family ties to the islands. HB 2869, HD2 will help create and retain jobs in Hawaii, while increasing the state's revenues. This bill will support Hawaii's small local companies in the digital media industry so they can continue to flourish and provide jobs for Hawaii's talented workforce.

We would like to suggest the following changes:

Expand the definition of "production crew" to include the digital media industry

Page 2, Lines 13-14 & Lines 18-19; Page 3, Lines 1 – 2, Lines 6-7, & Lines 11-12

CURRENT: ___percent of the wages and salaries of all cast, crew, and musicians

PROPOSED: ___percent of the wages and salaries of all cast, technical and production crew, and musicians...

Expand the definition of "production crew" to include the digital media industry

Page 13, Lines 19

CURRENT: Wages or salaries of cast, crew, and musicians;

PROPOSED: Wages or salaries of cast, technical and production crew, and musicians.

Modify the definition of "production" to include the digital media industry

Page 11, Lines 15 - 16

CURRENT: "Production" means a series of activities that are directly related to the creation of visual and cinematic imagery...

PROPOSED: "Production" means a series of activities that are directly related to the creation of visual and /or cinematic imagery...

Change the definition of "production costs" to include the digital media industry

Page 14, Lines 1-2

CURRENT: Cost of editing, visual effects, music, other post-production, and related services;

PROPOSED: Cost of editing, visual effects, music, art, graphics, programming, development, other post-production, and related products or services.

Thank you very much for the opportunity to testify.



THE SENATE
 TWENTY-SIXTH LEGISLATURE REGULAR SESSION OF 2012

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
 Senator Carol Fukunaga, Chair
 Senator Glenn Wakai, Vice Chair
 Members of the Committee

TESTIMONY ON HOUSE BILL 2869, HD2
 RELATING TO THE ECONOMY

The Screen Actors Guild (SAG), the International Alliance of Theatrical Stage Employees (IATSE) Mixed Local 665, the American Federation of Musicians (AFM) Local 677 and Hawaii Teamsters Local 996, collectively represents over 2,000 union members who work in the film, television, digital and new media industry.

We support HB 2869, HD2 as it extends the sunset date, increases the credit ceiling for qualified productions and provides an additional increase on wages for state resident hires.

We would like to offer the following amendments to this measure:

- Section 1, page 1, line 6, Amend:** (2) Increase the credit ceiling ... to \$16,000,000;
- Section 1, page 1, lines 8-17, Amend:** (3) Provides for the ... credit amount is calculated at fifteen (15) per cent ... and twenty (20) per cent ... plus an additional five (5) per cent ... paid to state residents.
- Section 2, page 2, line 12, Amend:** (1) Fifteen (15) per cent of the qualified ...;
- Section 2, page 3, line 1, Amend:** (3) Fifteen (15) per cent of the wages ...;
- Section 2, page 3, line 6, Amend:** (4) Twenty (20) per cent of the wages ...;
- Section 2, page 3, line 11, Amend:** (5) An additional Five (5) per cent of the wages ...;
- Section 2, page 9, line 19, Amend:** (k) Total tax credits ... shall not exceed \$16,000,000.

We believe these proposals are needed to continue to generate film activity statewide. We also believe these proposed amendments are reasonable and responsible to the State.

Thank you for giving us this opportunity to submit testimony on House Bill 2869, HD2.

Glenn Cannon, SAG President Brenda Ching, SAG Executive Director 596-0388	Henry Fordham, IATSE Business Agent 596-0227	Brien Matson, AFM President 596-2123	Jeanne Ishikawa, Teamsters Business Agent 847-6633
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To: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Members of the Committee

From: Monica Roberts, CEO
The Hollywood Hawaii Media Alliance

Date: March 12, 2012

Re: Testimony in STRONG SUPPORT of the Spirit and Intent of HB2869, HD2

Aloha, Chair, Vice Chair, and Members of the Committee:

My name is Monica Roberts. I am the founder and CEO of The Hollywood Hawaii Media Alliance. I am also a broadcast media specialist, a marketing communications consultant and a film/video producer. I have worked and conducted business in Hawaii since 1996.

I STRONGLY SUPPORT the spirit and intent of HB2869, HD2 as the passage of this legislation will: 1) have a dramatic positive effect upon Hawaii's creative industries; 2) create quality, good paying jobs for Hawaii residents; and 3) help promote Hawaii as a desirable tourist destination.

As a collaborative business venture, **The Hollywood Hawaii Media Alliance** advocates for the business-related growth of the creative industries affiliated with the arts, music, sports, television, film production and digital media originating in Hawaii. Our early initiatives include offering tiered membership packages, supporting the building of a full-scale production studio, attracting outside investing for special creative projects and developing a creative industry incubator program focused on:

- ✓ Supporting diversification of Hawaii's economy into high growth industries.
- ✓ Providing support for early stage entrepreneurial creativity businesses.
- ✓ Offering internships and educational outreach in support of Hawaii's diverse population.
- ✓ Creating a platform for creativity worker job creation as a major export industry.
- ✓ Cultivating human capital and an attractive environment for global creativity industry (i.e. film production, digital media, cultural products and services).



- ✓ Draw investors to invest in Hawaii due to commercially viable intellectual property.
- ✓ Provide entrepreneurial coaching to align and optimize leadership development, strategy and organizational development with host culture.
- ✓ Provide expert guidance and strategies to accelerate market traction and job growth in creativity companies in Hawaii.
- ✓ Promote Hawaii as a global destination and learning hub for executive education (transformation leadership, team building, strategic planning for creativity advantage, etc.).
- ✓ Provide community outreach mentor and education programs (at-risk teens, veterans and families, families with children with autism).

As a business owner and creative person living in Hawaii, I am motivated to promote the growth of the film industry in an effort to create an opportunity to live the life I want to lead. I believe Hawaii has no lack of talent but it does currently lack skilled, high-paying job opportunities. In challenging times such as these, and those that will undoubtedly come again, Hawaii's policy makers and economy advocates should value and invest in creative enterprises and professionals for expeditious growth now. This applies also to the arts education and cultural participation for long-term sustainable local talent cultivation. The current economy mandates smart solutions. Creativity has to be part of our big picture to promote future economic growth and sustainable job creation. Typically, the development of advanced technologies to increase productivity is seen as the road to better jobs. This bill also supports a clean, non-polluting industry, of which Hawaii can be proud.

By bridging the arts and entertainment to other sectors of the local economy – we can see why and how the creative sectors are essential partners in advancing not only the economy but social health, education and of course, Hawaii's rich cultural vibrancy. Regions and States develop a competitive advantage when they attract creative people because creative thinkers provide the seeds of innovation from which germinate economic growth.

For example, when a movie is filmed, actors, costume designers, and special effects creators benefit, but so do persons working in industries as disparate as food services, security, transportation and florists. Creativity also serves to build both brand awareness, and an attractive vacation environment to entice tourists and other talented people to come to Hawaii.



The creative economy is even more powerful considering its high multiplier effect on other aspects of Hawaii's economic growth potential. For example, the allure and substance of art, design and entertainment in Hawaii would enhance tourism and can add the incremental growth of 'cultural tourists' who are known to visit longer and spend more money.

I am optimistic that great professional jobs can be provided and that HB2869 will illuminate the multiple dimensions of our local creative capital that can sustain and grow local jobs in a wide arrange of categories. The list of services anticipated to fuel local jobs that can be expected to thrive with a more vibrant and active creative arts, film, digital media and entertainment industry presence in the Hawaiian Islands include:

(Note: Approximately 74 professional & support services are listed in alphabetical order)

- Accountants / Payroll Services
- Advertising Agencies and Marketing Firms
- Architectural, Interior Design, Landscape design services
- Airlines
- Automobile Rentals
- Broadcasting and Cable Network Programming
- Catering
- Charters (boats, bus, air)
- Childcare Services
- Commercial Construction
- Communications
- Crew Members: Construction, Electrical, Lighting, etc.
- Creative Education and Training Institutes / Workshops
- Digital Media
- Diving / Scuba
- Dry Cleaners / laundry services fabric specialties
- Event Planning
- Extras: Cast Members
- Fashion / Retail Services / Resort Stores & Hawaiian
- Festivals
- Financial Services / Banking
- Florists
- Food Services / Restaurants
- Freight Services
- Furniture / Home Furnishings
- Graphic Design Services
- Hair Stylists and Hair Salons



- Healthcare
- Hotels & other accommodations
- Housing / Real Estate Markets
- Hula Teachers & Dancers
- Independent Artists, Writers and Performers
- Insurance Services
- Language services translation
- Legal Services / Attorneys
- Leisure and Hospitality Industry
- Local Entertainment, Night clubs, Bars and Theatres
- Location Managers / Scouts
- Makeup Artists
- Mail Services
- Marine Consultants & equipment
- Military Personnel
- Motion Picture/Video Production
- Musicians
- News Media
- Non Profits
- Pet Industry & Suppliers: Animal Trainers
- Outrigger Canoes
- Photographers
- Printing – Offset, digital, wide format
- Product / Industrial Design
- Producers & Independent Production Studios
- Professional Sports Teams / Franchises
- Publicists
- Professional and Business Services
- Research Technical Advisors
- Retail Sales and Apparel
- Seamstress
- Signage: banners, vehicle graphics
- Social Services, Therapists and Counselors
- Sports Trainers and Athletes
- Sound Recording
- Spa Services, Massage Therapists
- Storage Spaces
- Stunt Companies
- Talent Agencies



- Technology Companies
- Truck and Motorcycle Rentals and Helicopter Rentals
- Union Members: Talent, Crew, SAG, etc.
- Visual and Performing Arts Companies
- Web / Internet Designers
- Wedding / Chapel Services & Locations
- Wellness and Holistic Service Providers
- Wine and Liquor/Spirits Distributors

In summary, the local job opportunities associated with a growing film industry in Hawaii represents our ability to create an economic engine for the State. It will do so by generating thousands of full-time jobs, attracting new employers, encourage small business growth and development for professional business services. Every job in the creative sector supports or sustains other indirect jobs in the area. To be clear, *direct employment* is created for those who actually work in the creative industries to support motion picture, digital media, film and television productions. *Indirect employment* is created when firms in these industries make purchases from their suppliers and vendors, as can be seen from the list provided above. A strong Multiplier Effect is induced when the direct and indirect workers spend their wages on consumer goods and services in Hawaii – and becomes another source of State tax revenues.

In conclusion, HB 2869 offers another excellent opportunity to further Hawaii's plan for economic self-sufficiency rather than relying predominantly on federal military spending and tourism. HB2869 also has the potential to increase State revenues significantly, thereby benefiting local families, schools, businesses and communities. HB2869 is an excellent opportunity for Hawaii to plan for a self-sustaining future by promoting internal growth that capitalizes on our natural resources such as, year-round mild climates, stunning tropical island scenes, diverse topography and convenient geography, local creative and crew talent, ethnic diversity amongst our population as well as showcasing Hawaii's unique 'aloha spirit' worldwide. The power of Hollywood to provide a unique marketing arm to supplement the promotion of Hawaii's tourism industry is limitless. HB2869 is a dynamic bill that can sow the seeds of prosperity for future generations by offering greater economic opportunities for the people of Hawaii.

I personally encourage you to support this groundbreaking initiative.

Your Respectful Constituent,

Monica Roberts

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extend motion picture, digital media and film production credit; increase credit/credit ceiling, expand credit

BILL NUMBER: HB 2869, HD-2

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 235-17 to provide that the motion picture, digital media, and film production income tax credit shall consist of the sum of all of the applicable: (1) ___% of the qualified production costs, other than wages and salaries of cast, crew, and musicians, incurred by a qualified production in any county with a population of over 700,000; (2) 20% of the qualified production costs, other than wages and salaries of cast, crew, and musicians, incurred by a qualified production in any county of 700,000 or less; (3) ___% of the wages and salaries of all cast, crew, and musicians that are included in the qualified production costs incurred by a qualified production in any county with a population of over 700,000; (4) ___% of the wages and salaries of all cast, crew, and musicians that are included in the qualified production costs incurred by a qualified production in any county with a population of 700,000; or less; and (5) ___% of the wages and salaries of cast, crew, and musicians who are Hawaii residents and are included in the qualified production costs incurred by a qualified production in the state.

Requires the department of business, economic development, and tourism (DBEDT) to submit a report to the governor and legislature at least 20 days prior to the convening of the regular sessions of 2015, 2020, 2025, and 2030 on the economic impact of the tax credit, with an estimate of the following for each year since 2012 or the last year covered by the preceding report: (1) capital from out-of-state expended in the state on qualified production costs; (2) total expenditures for qualified production costs in the state; (3) total full-time equivalent jobs created by qualified productions in the state; (4) number of those full-time equivalent jobs filled by residents of the state; (5) total wages and salaries paid in the state for qualified productions; (6) amount of the total wages and salaries paid in the state to residents of the state for qualified productions; and (7) any contributions resulting from qualified productions that DBEDT deems necessary including donations to improve the education and communities of the state. The report shall also include any other information that DBEDT deems necessary.

Increases the qualified production credit ceiling from \$8 million to \$___ million.

Amends the definition of “production” to include animation or special and visual effects and adds a definition of “animation.”

Amends Act 88, SLH 2006, to extend its repeal date from January 1, 2016 to January 1, 2025.

EFFECTIVE DATE: July 1, 2030; applicable to tax years beginning after December 31, 2012

STAFF COMMENTS: The legislature by Act 107, SLH 1997, enacted an income tax credit of 4% for costs incurred as a result of producing a motion picture or television film in the state and 7.25% for transient accommodations rented in connection with such activity. The credit was adopted largely to address the impost of the state's general excise tax on goods and services used by film producers. The exclusion of income received from royalties was initially established by Act 178, SLH 1999, as an incentive to attract high technology businesses to Hawaii. The original proposal would have applied to royalties and other income received from high technology businesses. This section of the law was later amended in 2000 by Act 297 which added the inclusion of royalties from "performing arts products" and was again amended by Act 221, SLH 2001, to include authors of "performing arts products."

The legislature by Act 88, SLH 2006, increased the 4% credit to 15% in a county with a population over 700,000 and to 20% in a county with a population of 700,000 or less. Act 88 also repealed the income tax credit for transient accommodations and expanded the credit to include commercials and digital media productions, and limited the credit to \$8 million per qualified production. While Act 88, SLH 2006, is scheduled to be repealed on January 1, 2016, this measure extends the repeal date to January 1, 2025. This measure also increases the motion picture, digital media, and film production income tax credit, increases the credit ceiling from \$8 million to \$10 million, and expands the definition of production to include animation.

The motion picture, digital media and film production credits have been morphing and expanding into full-blown tax credits since they "got their foot in the door" in 1997. It should be remembered that the perpetuation and expansion of motion picture credits are a drain on the state treasury. It is incredulous how lawmakers can bemoan the fact that there are insufficient resources to catch up on the backlog of school repairs and maintenance, to fund social programs and not being able to provide tax relief to residents and yet they are willing to throw additional public resources at a subsidy of film production and media infrastructure as proposed in this measure. Taxpayers should be insulted that lawmakers can provide breaks for film productions but refuse to provide tax relief for residents, many of whom work two or three jobs just to keep a roof over their head and food on the table.

There is absolutely no rational basis for increasing and continuing these tax credits other than that other states are offering similar tax credits. Then again, those states can't offer paradise, year-round good weather during which to film. Instead of utilizing back door subsidies through tax credits, film industry advocates need to promote the beauty that is synonymous with Hawaii.

Income tax credits are designed to reduce the tax burden by providing relief for taxes paid. Tax credits are justified on the basis that taxpayers with a lesser ability to pay should be granted relief for state taxes imposed. Sponsors try to make an argument that Hawaii needs to enact such incentives to compete for this type of business, one has to ask "at what price?" Promoters of the film industry obviously don't give much credit to Hawaii's natural beauty and more recently its relative security. Just ask the actors of "Lost" or "Hawaii 5-0" who have bought homes here if they would like to work elsewhere. While film producers may moan that they will lose money without the proposed tax credits, is there any offer to share the wealth when a film makes millions of dollars? If promoters of the film industry would just do their job in outlining the advantages of doing this type of work in Hawaii and address some of the costly barriers by correcting them, such tax incentives would not be necessary. From permitting to skilled labor to facilitating transportation of equipment, there are ways that could reduce the cost of filming in Hawaii. Unless these intrinsic elements are addressed, movie makers will probably demand subsidies, such as this incentive. Unfortunately, they come at the expense of all taxpayers and industries struggling

to survive in Hawaii. While lawmakers look like a ship of fools, movie producers and promoters are laughing all the way to the bank and the real losers in this scenario are the poor taxpayers who continue to struggle to make ends meet, a scenario akin to the bread and circus of ancient Rome.

So while there may be the promise of a new industry and increased career opportunities, lawmakers must return to the cold hard reality of solving the problems at hand. The long and short of it is that due in large part to the irresponsibility of handling state finances in the past, taxpayers cannot afford proposals like this. Thanks to the gushing generosity of those lawmakers who gave the state's bank away in all sorts of tax incentive schemes in recent years, taxpayers have had to bear increasing tax burdens.

It should be noted that this measure would make the film tax credit a permanent part of the state's tax code for just over 20 years with no opportunity to put the brakes on the credit should it be abused or should it not live up to the unbridled promises that the film industry has made to state policymakers. The real question is whether or not the state can sustain the kind of losses that such productions will claim against the state and will there be a way to alter the law should any of the criteria that is required to be reported under this measure not be met. It would appear more prudent to extend the credit for a shorter duration that would allow lawmakers to assess and evaluate whether incentives are still needed for these productions.

Instead of creating sustainable economic development incentives, the film tax credits waste moneys that could otherwise create an environment that is nurturing for all business activity, activity that lasts more than the six or eight months of a production. The overall tax burden could be lowered not only for families but for the businesses that provide long-term employment for Hawaii's people. Even national observers of the tax climate in the states criticize the effort to attract media productions with such tax incentives, noting that the jobs created are temporary and are usually low-paying for but the lead actors and the professional crew that is brought into the state from outside the state. Advocates, on the other hand, argue that these productions help to promote Hawaii as a visitor destination. While that may be true, it is the natural beauty of Hawaii that stands heads and shoulders above other locations and, therefore, the tax incentive is just the gravy, gravy that comes at the expense of all taxpayers in Hawaii.

Digested 3/12/12

TESTIMONY IN SUPPORT OF HB 2869, HD 2
Relating to the Economy

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

NOTICE OF HEARING

DATE: Wednesday, March 14, 2012
TIME: 1:30pm
PLACE: Conference Room 016

State Capitol

415 South Beretania Street

Senate Committee on Economic Development and Technology

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

Chair Fukunaga, Vice Chair Wakai, Members of the Committee,

Thank you for the opportunity to testify today in support of HB 2869, HD 2,
Relating to the Economy.

My name is Chris Lee and as a private citizen, motion picture producer, and the Founder and Director of the Academy for Creative Media at UH, I thank you for your past efforts to build this vital industry through our existing incentives and workforce development such as the ACM.

You will be pleased to know that ACM Manoa has over 235 majors, that numerous digital media companies have been started by our graduates and many have joined the local production unions keeping our students here in the islands.

This bill, and a number of others similar to it introduced this session, has the opportunity to exponentially expand Hawaii's film, television, and digital media industries providing far more living wage jobs for our talented, local workforce and IP creators.

In 2010, Hollywood spent over \$400 million dollars in Hawaii producing an unprecedented number of films, including the Oscar-nominated *The Descendants*, *Pirates of the Caribbean 4*, *Journey to the Center of the Earth 2*, *Battleship*, *Just Go With It*, *Soul Surfer*, *Hereafter*, and *The Tempest* as well as the television series *Hawaii Five-O* and *Off the Map*.

As impressive as that number is, we left a lot of money and jobs on the table.

Why? Because we did not have the studio space, post production or visual effects facilities to provide the full services this industry demands. Why are we willing to settle for half of the pie?

Big-budget pictures like *Pirates 4*, *Battleship*, and *Journey 2* shot their exteriors here, but then went to places like North Carolina, Los Angeles and Louisiana to build their sets, shoot their interiors, and execute post production, including one of the biggest parts of any blockbuster's budget, special effects. Worse, television shows like Steven Spielberg's *Terra Nova* had to shoot in Australia because we did not have the capacity to accommodate them here.

This \$400 million dollar year was not an anomaly.

This was a clear indication that Hawaii could have a billion dollar industry – generated both from Hollywood and locally – through the right combination of responsible incentives, dedicated infrastructure, broader development of our own IP workforce, and a global perspective.

This industry is not a fad but also not something that will just happen without the active management of our state. It's already a winner for us. The right incentives are an investment that ripple through our economy and provide an international marketing advantage for our number one industry, tourism. We enjoy a natural competitive advantage with our talented local students and a lifestyle that few locations can offer the discerning creative classes.

But to put the question a different way, what else is there? What else can we manufacture that doesn't require the importation of raw materials and the shipping of hard goods? What other industry is both protective of our environment and helps to drive tourism? What else both captivates the imagination of our students and has the ability to keep them in Hawaii?

What other alternative industry that this state has invested in over the last ten years has ever had a \$400 million year?

While everyone's been wondering how Hawai'i builds a sustainable alternative to our government/construction/service-employee economy, it's time to recognize that Hawai'i is already generating and keeping an indigenous creative class.

But we need to grow the pie.

SB 2111 and others like it have the chance to transform our production capacity and move us beyond the "feast or famine" mentality that has characterized our traditional location driven film and television industry.

Hawaii has been blessed with long running shows filmed entirely in our state, starting with Five-0, Magnum, Five-0 2.0 and soon, hopefully, The River. Our blue skies, beaches and jungles along with a great crew base make us the premiere tropical location in the world, and give us a base line of production activity.

But the absence of dedicated studio space save for the single stage at Diamond Head which can only accommodate one show at a time leaves producers scrambling for landlords willing to repurpose existing structures – as with the old Advertiser building being the home of Five-0, the old Comp USA being where they built Queens Hospital for The Descendants, and most recently the new ABC/Sony series setting up shop inside Olelo in Mapunapuna.

But building studio stages doesn't just mean pictures can shoot here longer. It means the whole other side of the industry – carpenters for set building, post production, sound recording, visual effects, all businesses that could be supplied by local vendors to service these studio shoots.

Why are digital companies so important? Because their computer animated output is not based on our tropical locations – indeed, they can be applied to movies not even made in Hawaii.

And it doesn't stop with movies and tv. Video games as an industry are 6 times larger than the movie business. Vancouver, which has previously been known for physical production, now has more business providing visual effects services for films not shot there. Vancouver has specific incentives for post production, over 30 companies providing those services, and probably the best digital cinema and video game school in the world.

We will never grow the pie if our business plan is just to hope that Hollywood green lights a tv show or movie that needs our beaches and jungles. We will never provide the opportunities our students are eminently qualified to execute

unless we build the studio infrastructure and the digital companies that drive the growth side of this business.

This legislature had the foresight to fund educational programs like the Academy for Creative Media to give our students the skills to connect to the global entertainment economy and stay in Hawaii.

Our kids have responded with award winning films, starting new businesses, and the foundation of a creative class of workers that is the very basis of America's best hope for the future: an economy based on innovation and intellectual property.

HB 2869, HD2 will help them to fully realize that dream. Thank you for the opportunity to testify today.

Dear Chair Fukunaga and Vice Chair Wakai,

I support HB2869 with slight reservations. I see an effort to revise the motion picture, digital media, and film production tax credit to solve some of the problems with the previous credit such as producers hiring outside labor for work that could be done by residents and claiming credits even while claiming losses in income. I approve of the requirement to report every five years about the impact on the state of this tax credit so that lawmakers are better informed of the effects of the legislation and may improve the credit or remove it in the future.

Thank you,

Claire Gearen
1212 Punahou St. #2601
Honolulu, HI 96826

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 13, 2012 1:16 PM
To: EDTTestimony
Cc: dean@hawaiiimedia.com
Subject: Testimony for HB2869 on 3/14/2012 1:30:00 PM

Testimony for EDT 3/14/2012 1:30:00 PM HB2869

Conference room: 016
Testifier position: Support
Testifier will be present: Yes
Submitted by: Dean Des Jarlais
Organization: Individual
E-mail: dean@hawaiiimedia.com
Submitted on: 3/13/2012

Comments:

To Senate Committtee on Economic Development and Technology, Senator Carol Fukunaga, Chair, Senator Glenn Wakai, Vice Chair, Members of the Committee

From: Dean Des Jarlais, Treasurer, Hawaii Media Inc.

March 13, 2012

Re: Testimony in STRONG SUPPORT of the Spirit and Intent of HB2869,HD2

Aloha Chair, Vice Chair, and Members of the Committee:

My name is Dean Des Jarlais. I am the co-owner of Hawaii Media Inc., the largest equipment rental company in Hawaii servicing the film and television industry.

I STRONGLY SUPPORT the spirit and intent of HB2869, HD2 as the passage of this legislation will: 1) have a dramatic positive effect upon Hawaii's creative industries; 2) create quality, good paying jobs for Hawaii residents; and 3) help promote Hawaii as a desirable tourist destination.

This legislation is essential to continue the growth of our labor pool and infrastructure. Hawaii must realize that this legislation represents an important investment in the future, creating opportunities for the employment and exposure in the tourism market.

Very truly yours,
Dean Des Jarlais

From: [Herman H. Stern](#)
To: [EDTestimony](#)
Subject: Re: Testimony - re: HB2869, HD2 - Wednesday, March 14, 2012 at 1:30 p.m. in Conference Room 016
Date: Tuesday, March 13, 2012 4:02:00 PM

Herman H. Stern
55 South Kukui Street, #D2708
Honolulu Hawaii 96813
Tele: 808-531-9930 Email: hermanhstern@msn.com

To: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
Members of the Committee

From: Herman H. Stern
Actor

Date: March 11, 2012

**Re: Testimony in STRONG SUPPORT of the Spirit and Intent of HB2869,
HD2**

Aloha, Chair, Vice Chair, and Members of the Committee:

My name is Herman Stern. I am an actor.

I STRONGLY SUPPORT the spirit and intent of HB2869, HD2 as the passage of this legislation will: 1) have a dramatic positive effect upon Hawaii's creative industries; 2) create quality, good paying jobs for Hawaii residents; and 3) help promote Hawaii as a desirable tourist destination.

Locally based film and television productions here in Hawai'i with not only create jobs, but also provide revenues for our economy.

Very truly yours,

Herman H. Stern