NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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STATEMENT OF

RICHARD C. LIM
DIRECTOR
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

BEFORE THE

COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

Tuesday, March 22, 2011
8:00 a.m.
State Capitol, Conference Room 312

in consideration of

SB318, SD2
RELATING TO BUSINESS DEVELOPMENT IN HAWAII

Chair McKelvey and Vice-Chair Choy and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB318, SD2, however we do have concerns about any major increases to the existing HRS 235-17 (Act 88) Motion Picture, Television and Digital Media refundable tax credits of 15-20%. We defer to the Department of Taxation on the overall fiscal impacts of this measure and are continuing to further analyze the economic benefits and impacts.

In its current version, SB318, SD2 we note that the percentages have been left blank to encourage further discussion and look forward to the dialogue with the legislature and industry.

The department agrees that improving Hawaii's infrastructure and workforce development programs for the film and creative sectors is a priority. We respectfully request the committee's consideration to amend SB318, SD2 to include all the sections of HB1551 HD2 that pertain to the infrastructure tax credits and crew training program, to further define the qualifying parameters of these areas of the proposed measure.

In 2010, an estimated $416 million in production expenditures were generated in film and television ; $395 million through Act 88 and $21 million in non-Act 88 related production activity, providing over $683 million in estimated economic impact for our state. This credit remains crucial to Hawaii's competitive advantage in the global entertainment industry.

We agree that the interest and commitment of companies like Relativity Media, RelativityREAL, Shangri-La , Hawaii Animation Studios, Avatar Reality, Blue Water Multimedia, Prox13, Lucent Film Academy and our local production community are helping to define Hawaii as a vibrant hub of creative industry development. Coupled with the creative talent of Hawaii's visual storytellers and our educational programs in creative media, the state has an unprecedented opportunity to build a sustainable sector through a broad spectrum of strategic partnerships for scalable industry growth.

The ideas and programs proposed in SB318, SD2 contribute to establishing Hawaii as a major production center, as well as other measures this session that enhance support for digital media education, expanded training programs and facilities development.

DBEDT and its Creative Industries Division is committed to further collaboration with lawmakers, the administration and industry leaders to find the appropriate balance between incentivizing industry, overall economic benefits and the resulting fiscal impacts to the state.

Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 318, SD 2 RELATING TO BUSINESS DEVELOPMENT IN HAWAII

TESTIFIER:	**FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR DESIGNEE)**
COMMITTEE:	**ERB**
DATE:	**MARCH 22, 2011**
TIME:	**8am**
POSITION:	**DEFER TO DBEDT; CONCERNS**

This bill proposes to amend Chapter 235 by expanding the film credit to include special effects or digital animation and media infrastructure projects.

The Department of Taxation (Department) defers to DBEDT on the merits of the film credit in general.

The Department has the following concerns and technical comments regarding this bill.

CONCERN OVER ADDITIONAL CREDIT FOR SPECIAL EFFECTS – The Department is concerned about providing an additional credit for special effects and animation in addition to the film production credit. Money spent on special effects and animation will receive two credits for the same activity.

CONCERN OVER AGGREGATE CAP—The Department generally opposes aggregate caps, especially in this measure's form. There is no legislative guidance on how the cap is to be administered. Is the cap based on who files first? Do taxpayers need to apply for the credit? Should the credit be spread evenly amongst all taxpayers? All of these issues arise when an aggregate cap is instituted. These issues become even more concerning when there are a substantial number of taxpayer claiming the credit.

The Department notes this provision was deleted in HB 1551, HD2, a similar bill that has already been passed by the House.

CONCERN OVER ASSIGNABILITY – If the credit must be assignable, the Department suggests making any credit assignments one-time-only, and assignable only to a financial institution.

The Department notes this provision was also deleted in HB 1551, HD2.

RECAPTURE – This bill contains no recapture provision. The Department recommends adding one and suggests the language used in HB 1551, HD2 and recommends the recapture amount be 100%.

CREATE A NEW SECTION – The existing Section 235-17 is made confusing by the addition of these new subsections. It would be cleaner to simply remove the new language for a credit for media infrastructure projects and place it in its own section.

RECOMMEND ADHERENCE TO PROPOSED REGULATIONS CONTAINED IN TIR 2009-5 – The Department has published proposed administrative rules in Tax Information Release 2009-05 for the existing film credit and recommends that this bill's expanded credit also be subject to those rules.

RECOMMEND ALLOWING ANY TAX PRACTITIONER TO PERFORM THE INDEPENDENT AUDIT – The bill requires an independent certified public accountant to certify applications submitted to the Director of Taxation. The Department recommends allowing any tax practitioner to make this certification.

REVENUE IMPACT – The amounts of the credit have been blanked out and therefore the revenue estimate is indeterminate. For an example of a revenue estimate on a similar measure with the amounts not blanked out, please see the Department's testimony on HB 1551, before this committee amended that bill.

From: Tina Desuacido [tina500@juno.com]
Sent: Monday, March 21, 2011 9:26 AM
To: ERBtestimony
Subject: Tax Foundation Testimony
Attachments: s0318e11.pdf; s0755e11.pdf; s1107d11.pdf

TRANSMISSION OF TESTIMONY

DATE: **Monday, March 21, 2011**

TO: **House Committee on Economic Revitalization & Business**

FROM: **Tax Foundation of Hawaii**

Total Pages 9

FOR: **Rep. Angus McKelvey, Chair**

Testifier: Lowell L. Kalapa, President - Tax Foundation of Hawaii

(Mr. Kalapa will not appear in person at the hearing.)

Date of Hearing - Tuesday, March 22, 2011

Position: Comments

Time of Hearing - 8:00 am

SB 318, SD-2 - Relating to Business Development in Hawaii (5 pages)
SB 755, SD-2 - Relating to Economic Development (2 pages)
SB 1107, SD-1 - Relating to the General Excise Tax (2 pages)

Number of copies - 4

Thank you.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Expand motion picture, digital media and film production credit

BILL NUMBER: SB 318, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 235-17 to increase the motion picture, digital media, and film production tax credit from 15% to ___% for the costs incurred in a county with a population over 700,000 for qualified production costs incurred by a qualified production company and from ___% to 40% for costs incurred in a county with a population of 700,000 or less.

Allow taxpayers to claim a credit of ___% of the qualified special or visual effect and animation production costs incurred by a qualified production in the state, in addition to the motion picture income tax credit.

Allows taxpayers, between July1, 2011 and December 31, 2015, to claim a credit of ___% of the qualified costs incurred for qualified media infrastructure projects in any county with a population over 700,000; or ___% of the qualified costs incurred for qualified media infrastructure projects in any county with a population of 700,000 or less. To qualify for the credit: (1) the base investment for a qualified media infrastructure project shall be in excess of $________; (2) the qualified media infrastructure project tax credit shall be non-refundable with any tax credit that exceeds the tax liability of the taxpayer for the tax year carried forward to offset net income tax liability in subsequent tax years for up to 10 years or until exhausted, whichever occurs first. The director of taxation may require the tax credits to be taken or assigned in the tax period in which the credit is earned or may structure the tax credit in the initial certification of the project to provide that only a portion of the tax credit be taken over the course of two or more years; (3) the total qualified media infrastructure project tax credit allowed for any state-certified infrastructure project shall not exceed $___________; (4) if any portion of an infrastructure project is a facility that may be used for other purposes unrelated to production or post production activities, then the project shall be approved only if a determination is made that the multiple use facility will support and will be necessary to secure production or post production activity for the production and post production facility; provided that no tax credits shall be earned on such multiple use facilities until the production or post production facility is complete; (5) tax credits for infrastructure projects shall be earned only if: (a) construction of the infrastructure project begins within six months of the initial certification and shall be completed within a five-year time frame; (b) expenditures shall be certified by the director of taxation and credits shall not be earned until that certification; (c) the tax credits shall be deemed earned at the time the expenditures are made, provided that all requirements of this subsection have been met and the tax credits have been certified; (6) for state-certified infrastructure projects, the application for a qualified media infrastructure project tax credit shall include: (a) a detailed description of the infrastructure project; (b) a preliminary budget; (c) a complete detailed business plan and market analysis; (d) estimated start and completion dates; and (e) if the application is incomplete, additional information may be requested prior to further action by the director of taxation; (7) an application fee shall be submitted with the application for a qualified media infrastructure project tax credit; (8) prior to any final certification of a tax credit for a state-certified infrastructure project, the applicant for the infrastructure project tax credit shall submit to the director of taxation an audit of the expenditures audited and certified by an independent certified public accountant as determined by rule. Upon approval of the audit, the director of taxation shall issue a final tax credit certification letter indicating the amount of tax credits certified for the state-certified infrastructure project to the investors. Bank loan finance fees applicable to the qualified media infrastructure project expenditures, as certified by the director of taxation, and any general excise taxes that have been paid on the bank loan finance fees and remitted to the state may be included as part of the tax credit.

There shall be a qualified local crew training program rebate equal to ___% of the hourly wages of each resident participant in a qualified local crew training program up to the first ______ hours physically worked by the qualifying crew member in a specialized craft position.

Deletes the $______ million limit of the total production tax credits that may be claimed under this section per qualified production and provides that the qualified media infrastructure project income tax credits shall be capped at $__________ in the aggregate.

Allows a taxpayer eligible to claim a tax credit under this section to assign all or a portion of a tax credit under this section to any assignee. A tax credit assignment under this section shall be irrevocable and shall be made on a form prescribed by the director of taxation. A taxpayer claiming a tax credit under this section shall send a copy of the completed assignment form to the department of taxation in the tax year in which the assignment is made and shall attach a copy of the form to the tax return on which the tax credit is claimed.

Adds definitions of "base investment," "director," "qualified local crew training programs," "qualified media infrastructure project"and "qualified special or visual effects and animation production" for purposes of the measure.

Amends the definition of "qualified production costs" to include: (1) rentals of any transient accommodations for cast and crew; (2) costs for equipment or items not readily obtainable in the state which are passed through a qualified resident vendor and upon which a mark-up and general excise tax are paid; (3) bank loan finance fees applicable to the qualified production expenditures as finally certified by the director of taxation to the extent that a general excise tax is paid and remitted to the state. For the purposes of this section, banks providing loans to qualified productions shall be considered service vendors that are providing services to a production company where the motion picture film product consists in part of the value of services provided and shall be subject to the one-half of one per cent tax rate under HRS section 237-18(c); and (4) other direct production costs specified by the department in consultation with the department of business, economic development, and tourism.

EFFECTIVE DATE: July 1, 2050; Tax years beginning after December 31, 2010

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 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.

These credits have been morphing and expanding into full-blown tax credits since they "got their foot in the door" in 1997. This measure proposes to increase the motion picture, digital media, and film production tax credit from 15% to ___% in a county with a population of 700,000 or over and from 20% to 40% in a county with a population of under 700,000. While the initial 4% credit for production costs may have been justified as alleviating this additional cost for film producers because such imposts may not be levied in other jurisdictions, increasing the amount of the credit amounts to nothing more than a generous subsidy of these productions by the state. That being the case, then an appropriation of state funds would be more accountable and transparent than a wide-open, back door tax credit.

This measure also expands the existing motion picture, digital media and film production income tax credits to special or visual effects and animation, and media infrastructure projects. As proposed in this measure there are new tax credits for: (1) ___% of the qualified special or visual effects and animation production costs; (2) qualified media infrastructure projects which may include rentals of any transient accommodations for cast and crew, certain equipment costs, bank loan finance fees attributable to a qualified production, and other direct production costs. This measure would also eliminate the $8 million cap of the tax credits which may be claimed by a qualified production.

It should be remembered that the perpetuation and expansion of the 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 this proposal that the credit be increased and expanded to include media infrastructure projects, 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. While the sponsors try to make an argument that Hawaii needs to enact such an incentive 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.

This, along with proposals from film producers, seems to have caught the eye and excitement of lawmakers. Certainly the promise of the land of milk and honey seems all too good to be true especially amidst the doom and gloom of a $900 million budget shortfall. However, the harsh reality is that on the other end taxpayers are looking at proposals to raise taxes, tax pensions, raise alcohol taxes, slap new taxes on sugary drinks and yet another round of fee and user charge increases. With the loss of millions of dollars in tax breaks and tax credits, how can local taxpayers buy into proposals like these, especially in light of the fact that lawmakers are unwilling to make cuts in other programs? Before lawmakers go off on the deep end entranced by all of these wonderful offers to bring the state to the land of milk and honey, they need to address the fiscal realities on the road before them. On top of this all, lawmakers have yet to address the unfunded liability of the state's retirement and health system.

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 cannot afford what looks like a promising opportunity.

Robert Tannenwald, a senior fellow at the Center for Budget and Policy Priorities, drew the following conclusions in a report entitled "State Film Subsidies Offer 'Little Bang for the Buck'," published in State Tax Notes Magazine, December 13, 2010:

> "State film subsidies are a wasteful, ineffective, and unfair instrument of economic development. While they appear to be a "quick fix" that provides jobs and businesses to state residents with only a short lag, in reality they benefit mostly nonresidents, especially well-paid nonresident film and TV professionals. Some residents benefit from these subsidies, but most end up paying for them in the form of fewer services - such as education, healthcare and police and fire protection - or higher taxes elsewhere. The benefits to the few are highly visible; the costs to the majority are hidden because they are spread so widely and detached from the subsidies.
>
> State governments cannot afford to fritter away scarce public funds on film subsidies, or, for that matter, any other wasteful tax break. Instead, policymakers should broaden the base of their

taxes to create a fairer and more neutral tax system. Economic development funds should be targeted on programs that are much more likely to e effective in the long run, such as support of education and training, enhancement of public safety, and maintenance and improvement of public infrastructure. Effective public support of economic development may not be glamorous, but at its best, it creates lasting benefits for residents from all walks of life."

Digested 3/21/11

TESTIMONY OF REGINALD V. CASTANARES, JR.

President
The Hawaii Building and Construction Trades Council, AFL-CIO

IN STRONG SUPPORT OF SB 318, SD2

BEFORE THE HOUSE:
COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

Mar. 22, 2011; at 8 AM
Conference Room 312

Good Morning Chair McKelvey, Vice-Chair Choy and Committee Members,

My name is Reggie Castanares, I have the privilege to serve the Hawaii Building and Construction Trades Council as its President. Our organization and affiliates represent the largest association of the constructions trade's workers in Hawaii with 16 specialty crafts and trades labor organization.

The Building and Construction Trades Council **Strongly Supports SB 318, SD2**, which will amend the motion picture, digital media, and film production tax credits to increase the tax credits to unspecified percentages and dollar amounts and to provide additional non-refundable tax credits for qualified media infrastructure projects in certain qualifying counties; provides an additional tax credit for qualified special or visual effects and animation production costs; raises the tax credit caps to unspecified amounts. Effective 07/01/2050. (SD2)

We appreciate the potential which it represents in helping Hawaii recapture its leading role in the lucrative motion picture industry. The success of the new Hawaii 5-0, Off the Map, and the latest sequel of Pirates of the Caribbean with more projects slated for the future, is a solid indicator of how the industry would like to keep working here.

Although much of the activity is outdoors among our diverse scenery and environments, they will need facilities for high tech capabilities in sound and visual effects and animation will have tremendous impact on current construction demands and into the future. Our Members need the jobs that this industry will bring.

For these reasons, the Building and Construction Trades Council, **Strongly Supports SB 318, SD2.**

Thank you for this opportunity to testify.

Reginald Castaneras, President

LOCAL 665

FILM, TELEVISION, STAGE, PROJECTION AND TRADESHOWS
Since 1937

INTERNATIONAL ALLIANCE OF THEATRICAL STAGE EMPLOYEES, MOVING PICTURE TECHNICIANS, ARTISTS AND ALLIED CRAFTS OF THE UNITED STATES, ITS TERRITORIES AND CANADA, AFL-CIO, CLC

March 21, 2011

Aloha Chairman McKelvey, Vice Chairman Choy, and Committee Members,

I am Henry Fordham, Acting Business Representative for the International Alliance of Theatrical Stage Employees, Local 665. We are The Union Behind Entertainment, providing the professional, skilled technicians that service projection, stage, film and video productions throughout the State of Hawaii.

I am here today to express our continued support for SB318.

Relativity Media, Shangri-La Construction and their various entities have been working diligently with the State and Legislators to refine the benefits and impacts being proposed. The infrastructure and workforce development plans will provide multiple platforms to move forward, and provide both immediate, and long-term, employment opportunities for our working families throughout the State of Hawaii.

IATSE Local 665 membership asks for your continued support of these efforts, and continue on the path of collaborative effort towards the development, advancement and enactment of this legislation.

Mahalo for your time and consideration,

Henry H. Fordham III

Acting Business Representative
IATSE Local 665
Honolulu, Hawaii
ba@iatse665.org
(808) 596-0227

Testimony of Glenn Ida
Representing,
The Plumbers and Fitters Union, Local 675
1109 Bethel St., Lower Level
Honolulu, Hi. 96813

In <u>Support</u> of SB 318, SD2

Before the House:
Committee on Economic Revitalization & Business
Tuesday, Mar. 22, 2011
8 AM, Conference Room 312

Aloha Chair Mckelvey, Vice-Chair Choy and Members of the Committee,

My name is Glenn Ida, I represent the 1300 plus active members and about 600 retirees of the Plumbers and Fitters Union, Local 675.

Local 675, **Supports SB 318, SD2** Which amends the motion picture, digital media, and film production tax credits to increase the tax credits to unspecified percentages and dollar amounts and to provide additional non-refundable tax credits for qualified media infrastructure projects in certain qualifying counties; provides an additional tax credit for qualified special or visual effects and animation production costs; raises the tax credit caps to unspecified amounts. Effective 07/01/2050. (SD2)

The economic impact will be spread throughout the local business community. Production Companies rent, lease, and buy a variety of equipment, along with lodging, transportation, and catering. They hire extras to fill their movie scenes and workers to build sets. There is a potential to renovate and expand the current studios at Diamond Head or build new State of the Art facilities for special effects and high tech animation on other islands.

The Plumbers and Fitters Union , Local 675, **Support SB 318, SD2**.
Thank you for the opportunity to testify.

Ryan Kavanaugh, CEO, Relativity Media LLC
Kenneth Halsband, President, Physical Production, Relativity Media LLC
Ramon Wilson, EVP, Business Development, Relativity Media LLC

Testimony presented before the Committee on Economic Revitalization & Business

March 22, 2011, 8:00 am

SB 318 SD2 Relating to Business Development in Hawaii (Formerly SB 1550 Relating to Tax Credits)

Dear Chair McKelvey, Vice Chair Choy, and Members of the Committee:

We submit this testimony in support of SB 318 (formerly, SB 1550) and are honored to have the opportunity to participate in improving the film tax incentive program in Hawaii.

Hawaii is a beautiful state, with a well trained local film crew and filming-friendly weather year round. As a result of these fundamental elements, Hawaii is poised to experience significant and sustainable growth in the amount of film-related production, infrastructure, job/career opportunities and economic activity, if it improves its film tax incentive program.

Currently, most films come to Hawaii for its natural beauty, unique exteriors and film-friendly weather year round as it also has among the highest film union labor rates in the country, high cost to travel crew and ship equipment, and limited local infrastructure. If Hawaii was to improve its film tax incentive program, based on the proposed amendments, it would mitigate these factors and attract both major Hollywood and independent film/television productions, which currently do not film in Hawaii, thereby creating a lasting surge of film production and related economic activity.

As Hawaii has very limited production space, it needs additional film stages in order to support the growth of its film industry. Relativity, with the support of Steve Bing's Shangri-La Industries and JP Morgan, is prepared to build 180,000 square feet, state-of-the-art, first-class production facilities, on Oahu, Maui and potentially other neighbor islands, budgeted at $300-500 million with the capacity to house multiple film/television productions simultaneously. These facilities will be built "green" and to qualify as two of very few LEED Platinum Certified (the highest environmentally friendly rating awarded) buildings in Hawaii. The proposed amendment makes building these facilities financially viable and will drive economic development associated with major construction projects. It will also drastically increase the economic activity associated with film production generally as more production dollars will be spent in Hawaii.

Relativity Media, LLC
8899 Beverly Blvd, Suite 510, West Hollywood, CA 90048
Phone: 310.849.4747, Fax: 310.849.1250

Hawaii has a thriving group of local film makers, film production crew and businesses that benefit from the limited number of films currently shot in Hawaii. An improved film tax incentive program, coupled with a formal local film crew training program, would drive growth of this film community and further development of the local film industry. This would give more local residents the opportunity to work in the high-paying film-related jobs. Over time, a majority of the jobs on each film production, including department heads, would be filled by State residents as opposed to out-of-state workers. And the training program, as proposed, would not cost the state a penny, but rather generate a surplus.

SB 318 (formerly, SB 1550) will set the stage to allow Hawaii's film industry to flourish, in a controlled way, and turn Hawaii into a major film production center leading to thousands of high-paying local jobs and major growth in local economic activity.

We have done extensive research and analysis on how to make the film tax incentive financially competitive with other production centers in the United States of America and around the world. This analysis shows how the proposed amendments achieve this in a manner that is economically advantageous to Hawaii. We look forward to working with the State Legislature, the Department of Business, Economic Development and Tourism, the Department of Taxation and the local film community to increase film/television production, build stages and related infrastructure and create new job and career opportunities for state residents.

We thank the Committee for the opportunity to present testimony on this matter.

Sincerely,

Ryan Kavanaugh, CEO, Relativity Media LLC

Kenneth Halsband, President, Physical Production, Relativity Media LLC

Ramon Wilson, EVP, Business Development, Relativity Media LLC

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