

JAN 18 2013

A BILL FOR AN ACT

RELATING TO THE ECONOMY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

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PART I

SECTION 1. The legislature finds that 2010 was the first year in which \$400,000,000 was spent in film and television production in Hawaii. 2010 also marked the growth of locally-produced Tetris Online and massive multiplayer platform Avatar/Blue Mars, and international recognition for Hawaii's human capital with breakout talent ranging from Andy South in fashion, Bruno Mars in music, "The Descendants" author Kauai Hemmings in writing, and Ty Sanga, the academy for creative media graduate, whose "Stones" premiered as the first Hawaiian language film at the 2011 Sundance Film Festival. In 2011, CBS Network's remake of the iconic "Hawaii Five-0" series averaged over fourteen million viewers for each episode, represented the season's highest-rated television series among adults eighteen to forty-nine, and was the most digitally recorded series on the air. In 2012, director Alexander Payne's critically-acclaimed film, "The Descendants", was nominated for best picture, director, and actor awards and its entire soundtrack (forty



1 SECTION 2. The purpose of this part is to:

2 (1) Establish the Hawaii film and digital media special
3 fund; and

4 (2) Repeal part IX, chapter 201, Hawaii Revised Statutes,
5 relating to Hawaii television and film development.

6 SECTION 3. Chapter 201, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§201- Hawaii film and digital media special fund. (a)

10 There is established in the state treasury the Hawaii film and
11 digital media special fund into which shall be deposited:

12 (1) Appropriations by the legislature;

13 (2) Donations and contributions made by private
14 individuals or organizations for deposit into the
15 fund;

16 (3) Grants provided by governmental agencies or from any
17 other source;

18 (4) Fees collected pursuant to section 235-17; and

19 (5) Beginning July 1, 2014, quarterly payments made by the
20 director of finance, in an amount equal to two per
21 cent of the total aggregate wages and salaries paid to
22 legal residents of this State, as calculated by the



1 department of taxation using individual residency
2 information provided by the department of business,
3 economic development, and tourism, to satisfy the
4 requirements of section 235-17(d)(4) and section 235-
5 (d)(3).

6 (b) The fund shall be used for:

7 (1) The operation of the department's film and digital
8 media programs;

9 (2) Specific development projects, including but not
10 limited to grants to filmmakers and film festivals,
11 loans, and other programs or activities to stimulate
12 the growth of the film and digital media industry in
13 the State; and

14 (3) Internships, apprenticeships, and training programs
15 that expand the skill sets of Hawaii's film and
16 digital media workforce, and enhance the growth of the
17 film and digital media industry in the State."

18 SECTION 4. Chapter 201, part IX, Hawaii Revised Statutes,
19 is repealed.

20 PART III



1 SECTION 5. The purpose of this part is to amend the motion
2 picture, digital media, and film production income tax credit
3 to:

4 (1) Strengthen incentives for hiring greater numbers of
5 residents and to support training and employment
6 opportunities for those residents; and

7 (2) Reflect advances in technology and changes in the
8 creation and distribution of motion picture, digital
9 media, and film productions.

10 SECTION 6. Section 235-17, Hawaii Revised Statutes, is
11 amended to read as follows:

12 **"§235-17 Motion picture, digital media, and film**
13 **production income tax credit.** (a) Any law to the contrary
14 notwithstanding, there shall be allowed to each taxpayer subject
15 to the taxes imposed by this chapter, an income tax credit which
16 shall be deductible from the taxpayer's net income tax
17 liability, if any, imposed by this chapter for the taxable year
18 in which the credit is properly claimed. The amount of the
19 credit shall be:

20 (1) [~~Fifteen~~]

21 (A) Fifteen per cent of the qualified production

22 costs incurred by a qualified production in any



1 county of the State with a population of over
2 seven hundred thousand; [~~or~~] and

3 [~~(2)~~ Twenty]

4 (B) Twenty per cent of the qualified production costs
5 incurred by a qualified production in any county
6 of the State with a population of seven hundred
7 thousand or less~~[.]~~; and

8 (2) An additional ten per cent of the qualified production
9 costs paid to legal residents of this State and to
10 Hawaii vendors and Hawaii suppliers; provided that:

11 (A) Any law to the contrary notwithstanding, for
12 purposes of this section, legal residency is
13 demonstrated by:

14 (i) Evidence that an individual has filed a
15 Hawaii income tax return for the previous
16 taxable year; or

17 (ii) A valid Hawaii driver's license or other
18 state-issued identification confirming
19 residency; and

20 (B) "Hawaii vendors and Hawaii suppliers" means
21 vendors and suppliers that are registered with
22 the State, have a physical location in the State,



1 and employ one or more legal residents of the
2 State.

3 A qualified production occurring in more than one county may
4 prorate its expenditures based upon the amounts spent in each
5 county, if the population bases differ enough to change the
6 percentage of tax credit.

7 In the case of a partnership, S corporation, estate, or
8 trust, the tax credit allowable is for qualified production
9 costs incurred by the entity for the taxable year. The cost
10 upon which the tax credit is computed shall be determined at the
11 entity level. Distribution and share of credit shall be
12 determined by rule. Notwithstanding any provision of law to the
13 contrary, the credit may be recovered directly by the entity
14 that incurred the qualified production costs.

15 If a deduction is taken under section 179 (with respect to
16 election to expense depreciable business assets) of the Internal
17 Revenue Code of 1986, as amended, no tax credit shall be allowed
18 for those costs for which the deduction is taken.

19 The basis for eligible property for depreciation [e] or
20 accelerated cost recovery system purposes for state income taxes
21 shall be reduced by the amount of credit allowable and claimed.



1 (b) The credit allowed under this section shall be claimed
2 against the net income tax liability for the taxable year. For
3 the purposes of this section, "net income tax liability" means
4 net income tax liability reduced by all other credits allowed
5 under this chapter. A taxpayer eligible to claim a tax credit
6 under this section may assign all or a portion of a tax credit
7 under this section to any assignee. An assignee may
8 subsequently assign a tax credit or any portion of a tax credit
9 assigned under this subsection to one or more assignees. A
10 taxpayer may claim a portion of a tax credit and assign the
11 remaining tax credit amount. A tax credit assignment made
12 pursuant to this subsection shall be irrevocable and shall be
13 made on a form prescribed by the department of taxation. A
14 taxpayer claiming a tax credit under this section shall submit a
15 copy of the completed assignment form to the department in the
16 tax year in which the assignment is made and shall attach a copy
17 of the form to the tax return on which the tax credit is
18 claimed.

19 (c) If the tax credit under this section exceeds the
20 taxpayer's income tax liability, the excess of credits over
21 liability shall be refunded to the taxpayer; provided that no
22 refunds or payment on account of the tax credits allowed by this



1 section shall be made for amounts less than \$1. All claims,
2 including any amended claims, for tax credits under this section
3 shall be filed on or before the end of the twelfth month
4 following the close of the taxable year for which the credit may
5 be claimed. Failure to comply with the foregoing provision
6 shall constitute a waiver of the right to claim the credit.

7 (d) To qualify for this tax credit, a production shall:

8 (1) Meet the definition of a qualified production
9 specified in subsection ~~[(1)]~~ (o);

10 (2) Have qualified production costs totaling at least
11 \$200,000~~[+]~~ for a qualified production, or \$50,000 for
12 a qualified digital media project or qualified
13 independent and emerging media project;

14 (3) Provide ~~[the State, at a minimum, a shared-card, end-~~
15 ~~title screen credit, where applicable;]~~ marketing
16 materials promoting the State as a tourist destination
17 or film and digital media production destination, when
18 appropriate, and by mutual agreement, at no cost to
19 the State, which, at a minimum, shall include the
20 placement of a "Filmed in Hawaii" or "Produced in
21 Hawaii" logo in the end credits; and



1 (4) Provide evidence of reasonable efforts to hire local
2 talent and crew; [and

3 ~~(5) Provide evidence of financial or in-kind contributions~~
4 ~~or educational or workforce development efforts, in~~
5 ~~partnership with related local industry labor~~
6 ~~organizations, educational institutions, or both,~~
7 ~~toward the furtherance of the local film and~~
8 ~~television and digital media industries.] provided
9 that:~~

10 (A) For a digital media project or an independent and
11 emerging media project, at least fifty per cent
12 of the positions that make up the production cast
13 and below-the-line production crew are filled by:

14 (i) Legal residents of this State, whose
15 residency is demonstrated as specified in
16 subsection (a)(2); or

17 (ii) Students enrolled full-time in a film-and-
18 entertainment-related course of study at an
19 institution of higher education in the
20 State; or

21 (B) For a production on or after January 1, 2017, the
22 percentage of positions in the production cast



1 and below-the-line production crew to be filled
2 by legal residents of this State shall be set at
3 levels certified by the State as reflecting an
4 appropriate workforce requirement, based upon the
5 levels of aggregate wages and salaries paid for
6 positions created by productions and projects
7 that received tax credits under this section for
8 the prior three years.

9 (e) On or after July 1, 2006, no qualified production cost
10 that has been financed by investments for which a credit was
11 claimed by any taxpayer pursuant to section 235-110.9 is
12 eligible for credits under this section.

13 (f) To receive the tax credit, the taxpayer shall first
14 prequalify the production for the credit by registering with the
15 department of business, economic development, and tourism during
16 the development or preproduction stage. Failure to comply with
17 this provision may constitute a waiver of the right to claim the
18 credit.

19 (g) The director of taxation shall prepare forms as may be
20 necessary to claim a credit under this section. The director
21 may also require the taxpayer to furnish information to
22 ascertain the validity of the claim for credit made under this



1 section and may adopt rules necessary to effectuate the purposes
2 of this section pursuant to chapter 91.

3 (h) Every taxpayer claiming a tax credit under this
4 section for a qualified production shall, no later than ninety
5 days following the end of each taxable year in which qualified
6 production costs were expended, submit a written, sworn
7 statement to the department of business, economic development,
8 and tourism, identifying:

- 9 (1) All qualified production costs as provided by
10 subsection (a), if any, incurred in the previous
11 taxable year;
- 12 (2) The amount of tax credits claimed pursuant to this
13 section, if any, in the previous taxable year; and
- 14 (3) The number of [~~total hires versus the number of local~~
15 ~~hires~~] full-time equivalent positions for legal
16 residents of this State created by each production, by
17 category (i.e., department), and by county.

18 (i) The department of business, economic development, and
19 tourism shall:

- 20 (1) Maintain records of the names of the taxpayers and
21 qualified productions thereof claiming the tax credits
22 under subsection (a);



1 (2) Obtain and total the aggregate amounts of all
2 qualified production costs per qualified production
3 and per qualified production per taxable year; and

4 (3) Provide a letter to the director of taxation
5 specifying the amount of the tax credit per qualified
6 production for each taxable year that a tax credit is
7 claimed and the cumulative amount of the tax credit
8 for all years claimed.

9 Upon each determination required under this subsection, the
10 department of business, economic development, and tourism shall
11 issue a letter to the taxpayer, regarding the qualified
12 production, specifying the qualified production costs and the
13 tax credit amount qualified for in each taxable year a tax
14 credit is claimed. The department of business, economic
15 development, and tourism may establish a fee of \$ _____ to
16 process the taxpayer letter. The fee revenues shall be
17 deposited into the Hawaii film and digital media special fund
18 established in section 201-_____. The taxpayer for each qualified
19 production shall file the letter with the taxpayer's tax return
20 for the qualified production to the department of taxation.
21 Notwithstanding the authority of the department of business,
22 economic development, and tourism under this section, the



1 director of taxation may audit and adjust the tax credit amount
2 to conform to the information filed by the taxpayer.

3 (j) Total tax credits claimed per qualified production
4 shall not exceed [~~\$8,000,000.~~] \$16,000,000.

5 (k) The director of taxation may revoke or modify any
6 written decision qualifying, certifying, or otherwise granting
7 eligibility for tax credits under this section if it is
8 discovered that the taxpayer submitted any materially false
9 statement, representation, or certification in any application,
10 record, report, plan, or other document filed in an attempt to
11 receive tax credits under this section.

12 (l) A taxpayer that fraudulently submits materially false
13 information under this section shall be liable to reimburse the
14 State for the amount of any credit obtained by fraud as well as
15 reasonable costs and fees associated with the review,
16 processing, investigation, and prosecution of the fraudulent
17 claim.

18 (m) No later than December 31 of each year, the department
19 of business, economic development, and tourism shall provide a
20 report for the previous calendar year to the governor and the
21 legislature that outlines the return on investment and economic



1 benefits of the tax credits to the State. The report shall also
2 include:

3 (1) The number of full-time equivalent positions for legal
4 residents of this State;

5 (2) Aggregate wages and salaries paid for positions
6 created by each production or project that received
7 tax credits under this section; and

8 (3) Information relating to the distribution of
9 productions receiving credits,

10 by county and by type of production.

11 [~~k~~] (n) Qualified productions shall comply with
12 subsections (d), (e), (f), and (h).

13 [~~l~~] (o) For the purposes of this section:

14 "Commercial":

15 (1) Means an advertising message that is filmed using
16 film, videotape, or digital media, for dissemination
17 via television broadcast, the Internet, by wireless
18 transmission, or theatrical distribution; and

19 (2) Includes a series of advertising messages if all parts
20 are produced at the same time over the course of six
21 consecutive weeks [~~;~~ and



1 ~~(3) Does not include an advertising message with~~
2 ~~Internet-only distribution].~~

3 "Digital media" means any and all production methods and
4 platforms, existing on or after the effective date of this Act,
5 that are directly related to the creation of cinematic imagery
6 and other content, specifically using digital means, including
7 but not limited to digital cameras, digital sound equipment, and
8 computers, to be delivered via film, videotape, interactive game
9 platform, internet, wireless, or other digital distribution
10 media [~~excluding Internet-only distribution~~]. existing on or
11 after the effective date of this Act.

12 "Legal resident" shall have the same meaning as "resident"
13 in section 235-1.

14 "Post production" means production activities and services
15 conducted after principal photography is completed, including
16 but not limited to editing, film and video transfers,
17 duplication, transcoding, dubbing, subtitling, credits, closed
18 captioning, audio production, special effects (visual and
19 sound), graphics, and animation.

20 "Production" means a series of activities that are directly
21 related to the creation of visual and cinematic imagery to be
22 delivered via film, videotape, or digital media and to be sold,



1 distributed; or displayed as entertainment or the advertisement
2 of products for mass public consumption, including but not
3 limited to scripting, casting, set design and construction,
4 transportation, videography, photography, sound recording,
5 interactive game design, and post production.

6 "Qualified digital media project" means development of
7 animation, graphics, visual effects, related sound recordings,
8 post production, and interactive media for entertainment and
9 education in any and all formats, existing on or after the
10 effective date of this Act, that is produced for distribution in
11 commercial or educational markets, including but not limited to
12 applications for electronic devices, existing on or after the
13 effective date of this Act, video games and productions intended
14 for game platform, physical media, internet, or wireless
15 distribution.

16 "Qualified independent and emerging media project" means a
17 qualified production of film, video, television, or interactive
18 entertainment that is produced for distribution in commercial or
19 educational markets, including but not limited to feature film,
20 short film, television show, television series, a video game or
21 production intended for game platform, physical media, internet,
22 or wireless distribution.



1 "Qualified production":

2 (1) Means a production, with expenditures in the State,
3 for the total or partial production of a feature-
4 length motion picture, short film, made-for-television
5 movie, commercial, music video, interactive game,
6 television series pilot, single season (up to
7 twenty-two episodes) of a television series regularly
8 filmed in the State (if the number of episodes per
9 single season exceeds twenty-two, additional episodes
10 for the same season shall constitute a separate
11 qualified production), television special, single
12 television episode that is not part of a television
13 series regularly filmed or based in the State,
14 national magazine show, or national talk show. For
15 the purposes of subsections (d) and (j), each of the
16 aforementioned qualified production categories shall
17 constitute separate, individual qualified
18 productions[?]. Notwithstanding the foregoing, for
19 purposes of satisfying the criteria of subsection (d),
20 a taxpayer shall claim as part of a qualified
21 production the creation of related content intended
22 for distribution over the Internet, wireless network,



1 or similar methods of distribution existing on or
2 after the effective date of this Act; and

- 3 (2) Does not include: daily news; public affairs
4 programs; non-national magazine or talk shows;
5 televised sporting events or activities; productions
6 that solicit funds; productions produced primarily for
7 industrial, corporate, institutional, or other private
8 purposes; and productions that include any material or
9 performance prohibited by chapter 712.

10 "Qualified production costs" means the costs incurred by a
11 qualified production within the State that are subject to the
12 general excise tax under chapter 237 or income tax under this
13 chapter and that have not been financed by any investments for
14 which a credit was or will be claimed pursuant to section
15 235-110.9. Qualified production costs include but are not
16 limited to:

- 17 (1) Costs incurred during preproduction such as location
18 scouting and related services;
19 (2) Costs of set construction and operations, purchases or
20 rentals of wardrobe, props, accessories, food, office
21 supplies, transportation, equipment, and related
22 services;



- 1 (3) Wages or salaries of cast, technical and production
- 2 crew, and musicians;
- 3 (4) Costs of photography, sound synchronization, lighting,
- 4 and related services;
- 5 (5) Costs of editing, digital effects, visual effects,
- 6 music, other post-production, and related services;
- 7 (6) Rentals and fees for use of local facilities and
- 8 locations;
- 9 (7) Rentals of vehicles and lodging for cast and crew;
- 10 (8) [Airfare] Costs for meals, accommodations, and travel,
- 11 including but not limited to airfare for flights to or
- 12 from Hawaii, and interisland flights;
- 13 (9) Insurance [~~and~~], bonding[~~+~~], legal, accounting, and
- 14 payroll service fees;
- 15 (10) Shipping of equipment and supplies to or from Hawaii,
- 16 and interisland shipments; [~~and~~]
- 17 (11) Up to \$300,000 of the costs of newly purchased
- 18 computer software and hardware unique to the project,
- 19 including servers, data processing, and visualization
- 20 technologies that are located in and used exclusively
- 21 in the State for the production of digital media; and



1 taxable year in which the credit is properly claimed. The
2 amount of the credit shall be fifty per cent of the qualified
3 infrastructure costs incurred by a qualified taxpayer in any
4 county of the State; provided that the tax credit claimed per
5 qualified infrastructure project shall not exceed \$25,000,000.

6 In the case of a partnership, S corporation, estate, or
7 trust, the tax credit allowable is for qualified infrastructure
8 costs incurred by the entity for the taxable year. The cost
9 upon which the tax credit is computed shall be determined at the
10 entity level. Distribution and share of credit shall be
11 determined by rule.

12 (b) The credit allowed under this section shall be claimed
13 against the net income tax liability for the taxable year. For
14 the purposes of this section, "net income tax liability" means
15 net income tax liability reduced by all other credits allowed
16 under this chapter.

17 (c) If the tax credit under this section exceeds the
18 taxpayer's income tax liability, the excess of credits over
19 liability shall be refunded to the taxpayer; provided that no
20 refunds or payment on account of the tax credits allowed by this
21 section shall be made for amounts less than \$1. All claims,
22 including any amended claims, for tax credits under this section



1 shall be filed on or before the end of the twelfth month
2 following the close of the taxable year for which the credit may
3 be claimed. Failure to comply with the foregoing provision
4 shall constitute a waiver of the right to claim the credit.

5 (d) To qualify for this tax credit, a qualified
6 infrastructure project shall:

- 7 (1) Satisfy the requirements of a qualified infrastructure
8 project as defined in subsection (1);
9 (2) Have qualified infrastructure costs totaling at least
10 \$10,000,000; and
11 (3) Provide evidence that for the first two years of the
12 infrastructure project credit, at least sixty per
13 cent, and thereafter, at least seventy per cent, of
14 the positions are filled by legal residents of this
15 State, whose residency is demonstrated as specified in
16 section 235-17(a)(2), or students enrolled in a
17 construction or related course of study at an
18 educational institution in the State.

19 (e) To receive the tax credit, the taxpayer shall first
20 prequalify the infrastructure project for the credit by
21 registering with the department of business, economic
22 development, and tourism during the development stage. Failure



1 to comply with this subsection may constitute a waiver of the
2 right to claim the credit.

3 (f) If all or a portion of an infrastructure project is a
4 facility that may be used for other purposes unrelated to
5 production or post-production activities, then the project shall
6 be approved only if a determination is made by the department of
7 business, economic development, and tourism that the multiple-
8 use facility will support and will be necessary to secure
9 production or post-production activity.

10 The taxpayer may also request a comfort ruling from the
11 department of taxation regarding the applicability of the tax
12 credit to a specific qualified infrastructure project.

13 (g) The director of taxation shall prepare forms as may be
14 necessary to claim a credit under this section. The director
15 may also require the taxpayer to furnish information to
16 ascertain the validity of the claim for credit made under this
17 section and may adopt rules necessary to effectuate the purposes
18 of this section pursuant to chapter 91.

19 (h) Every taxpayer claiming a tax credit under this
20 section for a qualified infrastructure project, no later than
21 ninety days following the end of each taxable year in which
22 qualified infrastructure costs were incurred, shall submit a



1 written, sworn statement to the department of business, economic
2 development, and tourism, identifying:

3 (1) All qualified infrastructure costs, if any, incurred
4 in the previous taxable year;

5 (2) The amount of tax credits claimed pursuant to this
6 section, if any, in the previous taxable year; and

7 (3) The number of full-time equivalent positions for legal
8 residents of this State created by each project, by
9 job category and by county.

10 (i) The department of business, economic development, and
11 tourism shall:

12 (1) Maintain records of the names of the taxpayers and
13 qualified infrastructure projects thereof claiming the
14 tax credits under subsection (a);

15 (2) Obtain and total the aggregate amounts of all
16 qualified infrastructure costs per qualified
17 infrastructure project per taxable year; and

18 (3) Provide a letter to the director of taxation
19 specifying the amount of the tax credit per qualified
20 infrastructure project for each taxable year that a
21 tax credit is claimed and the cumulative amount of the
22 tax credit for all years claimed.



1 (j) Upon each determination required under this
2 subsection, the department of business, economic development,
3 and tourism shall issue a letter to the taxpayer, regarding the
4 qualified infrastructure project, specifying the qualified
5 infrastructure costs and the tax credit amount qualified for in
6 each taxable year a tax credit is claimed. The department of
7 business, economic development, and tourism may establish a fee
8 of \$ to process the taxpayer letter. The fee revenues
9 shall be deposited into the Hawaii film and digital media
10 special fund established in section 201- . The taxpayer, for
11 each qualified infrastructure project, shall file the letter
12 with the taxpayer's tax return for the qualified infrastructure
13 project to the department of taxation. Notwithstanding the
14 authority of the department of business, economic development,
15 and tourism under this section, the director of taxation may
16 audit and adjust the tax credit amount to conform to the
17 information filed by the taxpayer.

18 (k) No later than December 31 of each year, the department
19 of business, economic development, and tourism shall provide a
20 report for the previous fiscal year to the governor and the
21 legislature that outlines the return on investment and economic



1 benefits of the tax credits to the State. The report shall also
2 include:

3 (1) The number of full-time equivalent positions for legal
4 residents of this State;

5 (2) Aggregate wages and salaries paid for the positions
6 created by each qualified infrastructure project that
7 received tax credits under this section; and

8 (3) Information relating to the distribution of qualified
9 infrastructure projects receiving credits,
10 by county and by type of project.

11 (1) For the purposes of this section:

12 "Qualified infrastructure costs" means the total costs
13 incurred by a qualified infrastructure project within the State,
14 including the cost of purchasing or leasing real property, which
15 are subject to the general excise tax under chapter 237 or
16 income tax under this chapter and that have not been financed by
17 any investments for which a credit was or will be claimed
18 pursuant to section 235-110.9.

19 "Qualified infrastructure project" means a construction
20 project in the State, for the development, construction, or
21 renovation of a film, video, television, or media production or
22 post-production facility and the immovable property and



1 equipment related thereto, or any other facility that supports
2 and is a necessary component of the infrastructure project.

3 (m) For a qualified infrastructure project, the tax credit
4 claimed under this section shall be repaid through an annual
5 payment from the taxpayer to the State equal to fifteen per cent
6 of the qualified infrastructure project's taxable income until
7 such time as the tax credit has been repaid; provided that if
8 the ownership of a qualified infrastructure project is
9 transferred, the transferee shall be obligated to the terms of
10 the repayment under this subsection.

11 (n) If at any time the infrastructure project ceases to be
12 a qualified infrastructure project, the credit claimed under
13 this section shall be recaptured. The amount of the recaptured
14 tax credit determined under this subsection shall be added to
15 the taxpayer's tax liability for the taxable year in which the
16 recapture occurs under this subsection."

17 PART V

18 SECTION 9. Act 88, Session Laws of Hawaii 2006, is amended
19 by amending section 4 to read as follows:

20 "SECTION 4. This Act shall take effect on July 1, 2006;
21 provided that[÷



1 ~~(1) Section]~~ section 2 of this Act shall apply to
2 qualified production costs incurred on or after
3 July 1, 2006~~[, and before January 1, 2016; and~~
4 ~~(2) This Act shall be repealed on January 1, 2016, and~~
5 ~~section 235-17, Hawaii Revised Statutes, shall be~~
6 ~~reenacted in the form in which it read on the day~~
7 ~~before the effective date of this Act]."~~

8 SECTION 10. (a) The department of business, economic
9 development, and tourism shall contract with the Hawaii tourism
10 authority to coordinate the development of a film and digital
11 media implementation plan to leverage national and international
12 marketing and promotional opportunities with the Hawaii tourism
13 authority's current marketing and development strategies.

14 (b) The department of business, economic development, and
15 tourism and the Hawaii tourism authority shall include in their
16 annual reports to the governor and the legislature those
17 activities related to the film and digital media implementation
18 plan.

19 SECTION 11. The department of business, economic
20 development, and tourism may establish four new permanent full-
21 time equivalents (4.0 FTE) to support requirements of the
22 expanded workload, enhancements to film tax credits, and



1 management and certification of infrastructure tax credits for
2 the purposes of this Act.

3 SECTION 12. The department of taxation may establish two
4 new permanent full-time equivalents (2.0 FTE) and one new
5 temporary full-time equivalent (1.0 FTE) to calculate quarterly
6 payments, prepare forms, adopt rules, and provide comfort
7 rulings for the purposes of this Act.

8 PART VI

9 SECTION 13. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ or so
11 much thereof as may be necessary for fiscal year 2013-2014 and
12 the same sum or so much thereof as may be necessary for fiscal
13 year 2014-2015 for additional resources and staffing support to
14 assist state agencies in collecting and reporting annually on
15 the number of full-time equivalent positions for legal Hawaii
16 residents by each production receiving tax credits, aggregate
17 wages and salaries paid to legal Hawaii residents in prior
18 years, as well as distribution of productions receiving credits,
19 by county and type of production.

20 The sums appropriated shall be expended by the department
21 of business, economic development, and tourism for the purposes
22 of this Act.



1 SECTION 14. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$ or so
3 much thereof as may be necessary for fiscal year 2013-2014 and
4 the same sum or so much thereof as may be necessary for fiscal
5 year 2014-2015 for additional resources and staffing support for
6 the office of information management and technology to assist
7 state agencies in collecting and reporting annually on the
8 number of full-time equivalent positions for legal Hawaii
9 residents by each production receiving tax credits, aggregate
10 wages and salaries paid to legal Hawaii residents in prior
11 years, as well as distribution of productions receiving credits,
12 by county and type of production.

13 The sums appropriated shall be expended by the department
14 of accounting and general services for the purposes of this Act.

15 SECTION 15. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so much
17 thereof as may be necessary for fiscal year 2013-2014 and the
18 same sum or so much thereof as may be necessary for fiscal year
19 2014-2015 for additional resources and staffing support for the
20 department of taxation to collect and report annually on the
21 aggregate size of the film and digital media industry workforce,



1 as it relates to those productions that take advantage of
2 Hawaii's film and digital media industry tax credits.

3 The sums appropriated shall be expended by the department
4 of taxation for the purposes of this Act.

5 PART VII

6 SECTION 16. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 17. This Act shall take effect on July 1, 2013;
9 provided that:

10 (1) Section 6 of this Act shall apply to qualified
11 production costs incurred on or after July 1, 2013,
12 and before January 1, 2028;

13 (2) Section 8 of this Act shall apply to taxable years
14 beginning after June 30, 2013, and before January 1,
15 2028; and

16 (3) This Act shall be repealed on January 1, 2028;
17 provided further that section 235-17, Hawaii Revised Statutes,
18 shall be reenacted in the form in which it read on the day



1 before the effective date of Act 88, Session Laws of Hawaii
2 2006.
3

INTRODUCED BY:

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Report Title:

Taxation; Motion Picture, Digital Media, and Film Production
Income Tax Credit; Infrastructure Income Tax Credit;
Appropriations

Description:

Establishes the Hawaii film and digital media special fund; repeals part IX of chapter 201, Hawaii Revised Statutes, relating to Hawaii television and film development (part II); amends the motion picture, digital media, and film production income tax credit to add an additional credit for qualified production costs paid to legal residents of this State and to Hawaii vendors and Hawaii suppliers; amends the total tax credit cap; requires annual report; increases requirements for hiring of legal residents of this State; applies to qualified production costs incurred on or after 07/01/2013, and before 01/01/2028 (part III); establishes a motion picture, digital media, and film production infrastructure income tax credit for qualified infrastructure costs; requires qualified expenditure of at least \$10,000,000; increases requirements for hiring of legal residents of this State; requires the credit to be repaid through an annual payment to the State equal to fifteen per cent of the qualified infrastructure project's taxable income until the credit has been repaid; provides for a recapture of the tax credit if the facilities are no longer used for a qualified activity; requires annual report; applies to taxable years beginning after 06/30/2013 (part IV); requires department of business, economic development, and tourism to contract with the Hawaii tourism authority to coordinate the development of a film and digital media implementation plan to leverage marketing and promotional opportunities with the Hawaii tourism authority's current marketing and development strategies; requires annual report (part V); appropriates funds for additional resource and staffing support to assist state agencies in collecting and reporting annually on the number of full-time equivalent positions for legal Hawaii residents by each production receiving tax credits (part VI); repeals on 01/01/2028.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

