

Honolulu, Hawaii

April 26, 2013

RE: H.B. No. 726
H.D. 1
S.D. 2
C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 726, H.D. 1, S.D. 2, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to encourage growth in the film and digital media industry by, among other things:

- (1) Extending the motion picture, digital media, and film production income tax credit until 2023;
- (2) Increasing the percentage of qualified production costs that constitutes the motion picture, digital media, and film production income tax credit applies by an unspecified amount;



- (3) Increasing the motion picture, digital media, and film production income tax credit cap to \$12,000,000;
- (4) Establishing a media infrastructure project tax credit; and
- (5) Requiring the Department of Taxation, in collaboration with the Department of Business, Economic Development, and Tourism to prepare a cost-benefit analysis and submit an annual report to the Legislature on the effectiveness of the media infrastructure tax credit.

Your Committee on Conference has amended this measure by:

- (1) Removing the media infrastructure tax credit and the reporting requirement pursuant to the media infrastructure tax credit;
- (2) Providing that the motion picture, digital media, and film production income tax credit amount increase from fifteen percent of qualified production costs to twenty percent in a county with a population of over 700,000, and from twenty percent of qualified production costs to twenty five percent in a county with a population of 700,000 or less;
- (3) Increasing the motion picture, digital media, and film production income tax credit cap to \$15,000,000;
- (4) Establishing that qualified production costs reported to the Department of Business, Economic Development, and Tourism by a taxpayer claiming the motion picture, digital media, and film production income tax credit be reported to the Legislature in non-aggregated form and redacted to preserve the confidentiality of the taxpayer;
- (5) Providing that Internet-only distributions qualify as "digital media" for purposes of the motion picture, digital media, and film production income tax credit;
- (6) Clarifying that a "qualified production" does not include news for purposes of the motion picture, digital media, and film production income tax credit;



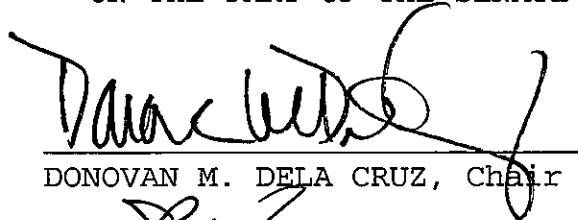
- (7) Providing that rentals and fees for use of state and county facilities and locations that are not subject to general excise tax or income tax qualify as "qualified production costs" for purposes of the motion picture, digital media, and film production income tax credit;
- (8) Providing that government-imposed fines, penalties, or interest that are incurred by a qualified production within the state are not "qualified production costs" for purposes of the motion picture, digital media, and film production income tax credit;
- (9) Extending the motion picture, digital media, and film production income tax credit until 2019, instead of 2023;
- (10) Requiring the Department of Business, Economic Development, and Tourism to submit an annual report to the Legislature with a cost benefit analysis of the motion picture, digital media, and film production income tax credit;
- (11) Changing its effective date to July 1, 2013; and
- (12) Making technical, nonsubstantive amendments for clarity, consistency, and style.

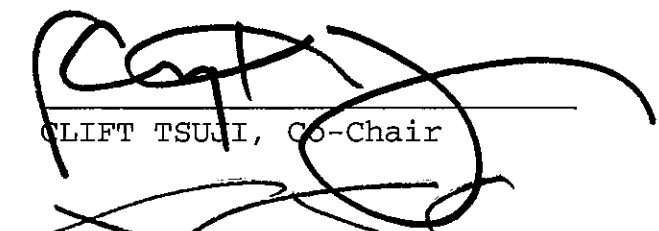
As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 726, H.D. 1, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 726, H.D. 1, S.D. 2, C.D. 1.

Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE


DONOVAN M. DELA CRUZ, Chair


CLIFT TSUJI, Co-Chair


GLENN WAI, Co-Chair


SYLVIA LUKE, Co-Chair





DAVID Y. IGE, Co-Chair



