

Honolulu, Hawaii

APR 05 2013

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

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

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 726, H.D. 1, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to encourage the growth of the State's film and creative media industries.

The measure accomplishes this purpose by:

- (1) Amending the motion picture, digital media, and film production income tax credit by:
 - (A) Extending the sunset date of the tax credit from January 1, 2016, to January 1, 2023;
 - (B) Increasing the cap amount to \$12,000,000 per qualified production; and
 - (C) Changing the credit amount from fifteen per cent of qualified production costs to an unspecified amount in a county with a population over 700,000, and from twenty per cent of qualified production costs to an unspecified amount in a county with a population of 700,000 or less;



- (2) Establishing a tax credit for media infrastructure projects in West Oahu or the most populous island in a county with a population between 100,000 and 175,000, from July 1, 2013, to January 1, 2016;
- (3) Establishing the Hawaii film office special fund for management of media infrastructure project tax credits and related programs; and
- (4) Requiring the Department of Taxation to conduct a cost-benefit analysis and submit an annual report to the Legislature on the effectiveness of the media infrastructure project tax credit.

Your Committee received written comments in support of this measure from Island Film Group and a private individual.

Your Committee received written comments on this measure from the Department of Business, Economic Development, and Tourism and the Tax Foundation of Hawaii.

Your Committee finds that new media infrastructure development is necessary to increase the growth of Hawaii's film industry. Your Committee believes that this measure provides an incentive for developing media infrastructure projects.

Your Committee has amended this measure by:

- (1) Extending the cutoff date to qualify for the media infrastructure project tax credit from January 1, 2016, to January 1, 2023;
- (2) Providing a definition for the term "base investment";
- (3) Providing that the Department of Taxation shall collaborate with the Department of Business, Economic Development, and Tourism in preparing its annual report on the effectiveness of the media infrastructure project tax credit; and
- (4) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your



Committee is in accord with the intent and purpose of H.B. No. 726, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 726, H.D. 1, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 726, HD1, SD1	EGA/TEC, WAM	3-27-13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani				✓
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.	✓			
KOUCHI, Ronald D.				✓
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.	✓			
SLOM, Sam			✓	
TOTAL	10	0	1	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes