

Honolulu, Hawaii

MAR 22 2013

RE: H.B. No. 799  
H.D. 3  
S.D. 1

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

Madam:

Your Committee on Economic Development, Government Operations and Housing, to which was referred H.B. No. 799, H.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO CREATIVE MEDIA DEVELOPMENT,"

begs leave to report as follows:

The purpose and intent of this measure is to strengthen the film, television, and media industry in Hawaii by:

- (1) Providing wage reimbursements to qualified entities who hire new employees who participate in an on-the-job workforce development training program;
- (2) Amending the definitions of "digital media," "qualified production," and "qualified production costs" for purposes of the motion picture, digital media, and film production tax credit;
- (3) Extending the sunset date of the motion picture, digital media, and film production tax credit from 2016 to 2023; and
- (4) Appropriating funds for the workforce development training program.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Hyperspective Studios, Inc.; ILWU, Local 142; and two



individuals. Your Committee received testimony in opposition to this measure from the Tax Foundation of Hawaii. Your Committee received comments on this measure from the Department of Taxation.

Prior to the hearing on this measure, your Committee made available for public review a proposed S.D. 1, which amends the measure by removing its contents and replacing them with language:

- (1) Establishing a media infrastructure project tax credit for qualified projects in West Oahu or on the most populous island in a county with a population between 100,000 and 175,000;
- (2) Requiring reporting of information by the eligible taxpayers who claim the tax credit;
- (3) Making provisions for the recapture of the tax credit in certain circumstances; and
- (4) Requiring cost benefit analyses and annual reporting by the Department of Taxation to the Legislature.

Your Committee received testimony in support of the proposed S.D. 1 from the ILWU, Local 142. Your Committee received testimony in opposition to the proposed S.D. 1 from the Tax Foundation of Hawaii. Your Committee received comments on the proposed S.D. 1 from the Department of Business, Economic Development, and Tourism; Department of Labor and Industrial Relations; and Department of Taxation.

Your Committee finds that the film, television, and digital media industry in Hawaii can and should be strengthened. This measure will strengthen the industry by developing and expanding a locally trained industry workforce. Similar measures have proved successful in other states. Your Committee also finds that the motion picture, digital media, and film production tax credit has been successful in strengthening the industry and believes the tax credit should be extended for an additional period of five years.

Although your Committee considered an alternate method of strengthening the industry in the proposed S.D. 1, it ultimately decided to adopt the original measure as received by your Committee with the following amendments:



- (1) Inserting language clarifying the requirements for the guaranteed hiring of employees who receive on-the-job training; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development, Government Operations and Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 799, H.D. 3, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 799, H.D. 3, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development, Government  
Operations and Housing,

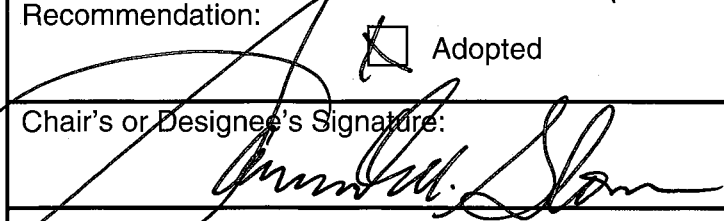


DONOVAN M. DELA CRUZ, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Economic Development, Government Operations and Housing**  
**EGH**

Bill / Resolution No.:*	Committee Referral:	Date:		
<b>HB799 HD3</b>	<b>EGH, WAM</b>	<b>3/21/13</b>		
<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
DELA CRUZ, Donovan M. (C)	X			
SLOM, Sam (VC)	X			
BAKER, Rosalyn H.	X			
CHUN OAKLAND, Suzanne				X
ENGLISH, J. Kalani	X			
THIELEN, Laura H.				X
WAKAI, Glenn				X
				X
<b>TOTAL</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes