

STAND. COM. REP. NO.

1187

Honolulu, Hawaii

March 22, 2013

RE: S.B. No. 463
S.D. 2
H.D. 1

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

Sir:

Your Committee on Economic Development & Business, to which was referred S.B. No. 463, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this measure is to facilitate the growth of the film and digital media industry in the State by:

- (1) Extending the Motion Picture, Digital Media, and Film Production Income Tax Credit (Motion Picture Tax Credit) for an additional seven years from 2016 to 2023;
- (2) Increasing the Motion Picture Tax Credit by an unspecified amount depending on the population of the county where the qualified production costs occurred;
- (3) Removing the cap on the total Motion Picture Tax Credits that may be claimed for a qualified production;
- (4) Establishing a Media Infrastructure Project Tax Credit; and
- (5) Creating a Hawaii Film Office Special Fund, with funds from application fees to be deposited into the Special

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Fund and funds expended to manage Media Infrastructure Project Tax Credits and related programs.

NBC Universal Media, LLC supported this measure. The Big Island Film Office and two concerned individuals opposed this measure. The Department of Business, Economic Development, and Tourism; Department of Taxation; Tax Foundation of Hawaii; SAG-AFTRA Hawaii; IATSE, Mixed Local 665; AFM, Local 677; Teamsters, Local 996; Maui Film Studios, LLC; and one concerned individual offered comments.

Your Committee has amended this measure by:

- (1) Removing the provisions relating to the Media Infrastructure Project Tax Credit, including the Hawaii Film Office Special Fund;
- (2) Reinstating the Motion Picture Tax Credit amount at fifteen and twenty per cent, respectively, depending on the population of the county where the qualified production costs occurred;
- (3) Reinstating the \$8,000,000 cap on total Motion Picture Tax Credits that may be claimed for a qualified production;
- (4) Removing a provision that excludes Internet-only distribution media from the definition of "digital media" for purposes of the Motion Picture Tax Credit;
- (5) Replacing "daily news" with "news" on the list of productions that are not qualified productions for purposes of the Motion Picture Tax Credit;
- (6) Excluding State and county facility and location fees that are not subject to general excise or State income tax from the costs for rentals and fees for use of local facilities and locations that are qualified production costs for purposes of the Motion Picture Tax Credit;
- (7) Extending the Motion Picture Tax Credit for an additional nine years from 2016 to 2025, instead of seven years;
- (8) Requiring the Department of Business, Economic Development, and Tourism to submit an annual cost

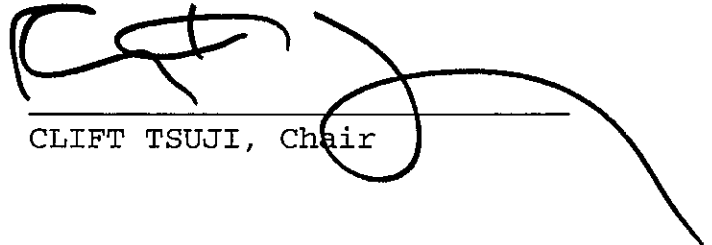


benefit analysis report on the Motion Picture Tax Credit to the Legislature commencing with the 2014 Regular Session; and

- (9) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 463, S.D. 2, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as S.B. No. 463, S.D. 2, H.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



CLIFT TSUJI, Chair



