

Honolulu, Hawaii

FEB 15 2013

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

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

Madam:

Your Committees on Economic Development, Government Operations and Housing and Technology and the Arts, to which was referred S.B. No. 463 entitled:

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

beg leave to report as follows:

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

- (1) Extending the motion picture, digital media, and film production income tax credit for an additional seven years from 2016 to 2023;
- (2) Increasing the amount of the tax credit from fifteen percent to twenty percent in a county with a population over 700,000, and from twenty percent to twenty-five percent for counties with a population of 700,000 or less; and
- (3) Removing the cap on total tax credits that may be claimed for a qualified production.

Your Committees received testimony in support of this measure from NBC Universal Media, LLC; Island Film Group; and one individual. Your Committees received testimony in opposition to this measure from the Mayor of the County of Maui.



Your Committees received testimony that the amount of film production income tax credits available to a studio is a significant factor in its decision about where to shoot a film. Your Committees received testimony that other states, even some with longstanding relationships with film studios, are increasing the amount of tax credits they make available to studios to entice them to locate or remain in those states. Your Committees received testimony that if the State fails to raise the level of tax credits it makes available to studios, the State may struggle to continue attracting studios.

Your Committees also received testimony that despite ongoing efforts to develop a post production facility in Hawaii, no such facility exists. Consequently, most, if not all, post production work by studios filming in Hawaii is sent to the mainland. Your Committees received testimony that if post production facilities existed in Hawaii, post production work would remain in Hawaii, and the facilities would make Hawaii a more attractive location for studios to film.

Your Committees are concerned, however, that the State has already made significant efforts and expended considerable resources to attract and support film studios. Your Committees are also concerned that a studio may begin a media infrastructure project, obtain tax credits for the project, but then fail to complete the project. Your Committees believe that this measure requires a means to recoup some of the tax credit to discourage this practice.

Your Committees have amended this measure by:

- (1) Revising and expanding its purpose section;
- (2) Inserting language to establish a media infrastructure project tax credit;
- (3) Creating a reporting requirement for taxpayers claiming a media infrastructure tax credit;
- (4) Creating a Hawaii Film Office special fund, with funds from application fees to be deposited into the fund and funds expended to manage infrastructure development credits and the program;



- (5) Allowing the State to recapture media infrastructure tax credits where a studio begins but fails to complete a media infrastructure project;
- (6) Changing the effective date to upon approval and applying to taxable years beginning after December 31, 2012; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Economic Development, Government Operations and Housing and Technology and the Arts that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 463, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 463, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Development, Government
Operations and Housing and
Technology and the Arts,



GLENN WAKAI, Chair




DONOVAN M. DELA CRUZ, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Technology and the Arts
TEC

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 463	EGH/TEC, WAM	2/14/13		
<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
WAKAI, Glenn (C)	/			
NISHIHARA, Clarence K. (VC)	/			
GABBARD, Mike	/			
TOKUDA, Jill N.				/
SLOM, Sam			/	
TOTAL	3		1	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes