

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

LATE

To: The Honorable Cliff Tsuji, Chair
and Members of the House Committee on Economic Development & Business

Date: Tuesday, February 12, 2013
Time: 9:00 a.m.
Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 698 Relating to Taxation

The Department of Taxation (Department) defers to the Department of Business Economic (DBEDT) on the merits of H.B. 698 and the Department of Budget and Finance on the impact of this bill on the State's financial plan. The Department provides the following comments for the committee's consideration.

H.B. 698 amends the motion picture, digital media, and film production income tax credit by (1) increasing the motion picture, digital media, and film production tax credits by 5% of the qualified production costs, (2) adding an additional work credit of 5% of the qualified production costs, (3) adding an additional infrastructure incentive credit of 10% of the qualified production costs, (4) establishing a qualified persons crew training and advancement program rebate of 50% of the hourly wages of each resident participant in a qualified persons crew training and advancement program, (5) increasing the tax credits cap per production from \$8 million to \$25 million, and (6) extending Act 88, Session Laws of Hawaii 2006, to January 1, 2018.

The Department notes that the amendment in section 235-17 (e) only refers to the credits allowed under subsection (a), but not subsections (b) and (c). The measure lacks clarity as to whether the credits under subsections (b) and (c) are nonrefundable or refundable credits.

The Department is also concerned with the amendment in section 235-17 (f) regarding the delayed payment of the credits. The Department notes that it will not be able to administer this provision due to complexity and resources required for proper enforcement (no credit payments for at least 18 months after the end of principal photography, whereby the credits must be claimed within 12 months following the close of the taxable year for which the qualified production costs were incurred).

Thank you for the opportunity to provide comments.