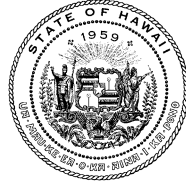


NEIL ABERCROMBIE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
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FREDERICK D. PABLO  
DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

**LATE**

To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Monday, April 1, 2013  
Time: 2:00 p.m.  
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 750, S.D. 2, H.D. 1, Relating to Digital Media Industry Development

The Department of Taxation (Department) **appreciates the intent** of S.B. 750, S.D. 2, H.D. 1. However, as written, the Department is concerned that it will not be able to implement the provisions of the S.D. 2 due to the anticipated difficulty in administering this bill, as well as the potential increase in revenue loss resulting from the new media infrastructure project tax credit.

S.B. 750, S.D. 2, H.D. 1, adds a new section to Chapter 235, Hawaii Revised Statutes, to create a media infrastructure project tax credit. The credit is a nonrefundable tax credit of an unspecified percentage of the qualified infrastructure costs for a facility located in West Oahu or on the most populous island in a county with a population between 100,000 and 175,000, beginning July 1, 2013 and ending December 31, 2015.

The Department is concerned about the broad range of costs (the development, construction, renovation, or operation of a film, video, television, or media production or postproduction facility, or any other facility that supports the project, including a movie theater or other commercial exhibition facility) that would qualify for the tax credit. This broad definition will create administration and enforcement difficulties for the Department.

This measure also requires DBEDT to approve an audit of the infrastructure tax credit conducted by an independent certified public accountant and certify the expenditures for the project, including: a detailed description of the project; a preliminary budget; a complete detailed business plan and market analysis; an estimated start and completion dates; and a letter from the mayor and council of the county. However, section 2 of this measure requires the Department of Taxation, not DBEDT, to collect data and submit an annual cost benefit analysis of the tax credit to the legislature. The Department suggests that DBEDT is the more appropriate agency to

Department of Taxation  
FIN, S.B. 750, S.D. 2, H.D. 1  
April 1, 2013  
Page 2 of 2

conduct the cost benefit analysis of the tax credit, as they are the agency which will approve and certify the expenditures. Moreover, the Department does not perform any cost benefit analysis based on taxpayer data.

Thank you for the opportunity to provide comments.



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

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Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Web site: [www.hawaii.gov/dbedt](http://www.hawaii.gov/dbedt)

Telephone: (808) 586-2355  
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**LATE**

Statement of  
**RICHARD C. LIM**  
Director

Department of Business, Economic Development and Tourism  
before the

**HOUSE COMMITTEE ON FINANCE**

Monday, April 1, 2013  
2:00 p.m.  
State Capitol, Conference Room 308  
in consideration of

**SB750, SD2 HD1**

**RELATING TO DIGITAL MEDIA INFRASTRUCTURE.**

Chairs Luke, Vice Chair Nishimoto and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers comments on SB750, SD 2 HD1 which introduces a new non-refundable credit equal to 25 percent of the qualified costs for qualified digital media infrastructure projects, specifically in West Oahu or the most populous island in a county with a population of 100,000 to 175,000. The measure also provides for recapture of the media infrastructure project tax credit in certain circumstances.

We support the intent of a new infrastructure credit but would recommend eliminating the geographic restriction. The department requests your consideration depositing application fees into a Hawaii Film Office special fund, incorporating the language from SB463 SD2, page 17, section (i), but further amending to designate DBEDT instead of the Department of Taxation to administer the fund.

DBEDT calls to your attention that should any measures regarding infrastructure tax credits pass this session, the department will require additional staffing to manage the program.

Thank you for the opportunity to testify on this measure.

**FINTestimony**

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**LATE**

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 01, 2013 8:37 AM  
**To:** FINTestimony  
**Cc:** rgalindez@islandfilmgroup.com  
**Subject:** \*Submitted testimony for SB750 on Apr 1, 2013 14:00PM\*

**SB750**

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ricardo Galindez	Island Film Group	Support	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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## FINTestimony

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**LATE**

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 01, 2013 7:36 AM  
**To:** FINTestimony  
**Cc:** tabraham08@Gmail.com  
**Subject:** Submitted testimony for SB750 on Apr 1, 2013 14:00PM

### **SB750**

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Troy Lopaka Abraham	Individual	Support	No

Comments: I support passage of bill to open hollywoods connection to Hawaii and allow tax incentives to people who make movies in Hawaii.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**LATE**

**SB750**

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ricardo Galindez	Island Film Group	Support	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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