

Honolulu, Hawaii

March 19, 2014

RE: S.B. No. 2079
S.D. 2

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred S.B. No. 2079, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE MOTION PICTURES, DIGITAL MEDIA, AND FILM PRODUCTION INCOME TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to amend the Motion Picture, Digital Media, and Film Production Income Tax Credit (Tax Credit) by:

- (1) Requiring a film production to:
 - (A) Comply with all applicable statutes, ordinances, rules and regulations of the federal, state, and county governments to qualify for the Tax Credit; and
 - (B) Secure all necessary film permit approvals with the appropriate state or county agency if film production takes place on state or county property;
- (2) Prohibiting qualified production costs that have been financed with state funds from qualifying for the Tax Credit beginning on July 1, 2014; and
- (3) Prohibiting reality television programming from qualifying for the Tax Credit.



The Department of Land and Natural Resources, Department of Business, Economic Development, and Tourism, and Department of Taxation testified in support of this measure. Island Film Group testified in opposition to this bill. The Tax Foundation of Hawaii provided comments.

The motion picture, television, and digital media industry in Hawaii is vibrant and growing, positively impacting the State's economy through job creation, increased tax revenues, and the provision of priceless marketing exposure on a global scale throughout the year to Hawaii's visitor industry. However, your Committee finds that, according to the Department of Land and Natural Resources and the Hawaii Film Office, some film production companies have engaged in film production without proper permits, violating state laws and administrative rules. This measure attempts to address this issue, through the promotion of greater compliance with state laws and rules that will serve to encourage closer collaboration among the Department of Land and Natural Resources, other regulatory agencies such as the Hawaii Film Office, and motion picture, digital media, and film production companies.

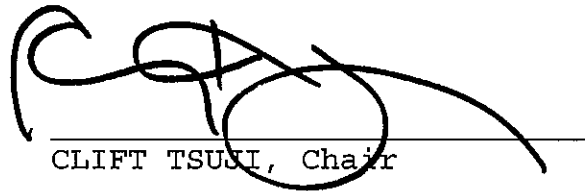
Your Committee notes that the Department of Taxation raised concerns regarding the ability of productions to claim amounts received from state agencies as qualified production costs to claim the Tax Credit and wishes to exclude these costs as qualified production costs. Your Committee also notes the Department of Taxation's concerns regarding the effective date of the bill and the applicability of the tax credit on productions already taking place. While your Committee understands these concerns, they are beyond the purview of this Committee, and your Committee respectfully requests the Committee on Finance to consider the recommendations of the Department of Taxation.

Furthermore, your Committee finds that there is a lack of clarity regarding the definition of a reality television programming, which may lead to this measure having unintended consequences. Therefore, your Committee has requested interested parties to work together to develop a solution to address the particular problem with reality television programming and present their recommendations to the Committee as the bill moves through the legislative process.



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. 2079, S.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Finance.

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



CLIFT TSUJI, Chair



State of Hawaii
House of Representatives
The Twenty-seventh Legislature

HSCR 1056-14

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.:	Committee Referral:	Date:		
SB 2079, SDA	EDB, FIN	3/14/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. TSUJI, Clift (C)	/			
2. WARD, Gene (VC)	/			
3. AWANA, Karen	/			
4. BROWER, Tom				/
5. CACHOLA, Romy M.	/			
6. ITO, Ken	/			
7. CHOY, Isaac W.	/			
8. OHNO, Takashi	/			
9. ONISHI, Richard H.K.	/			
10. TOKIOKA, James Kunane	/			
11. WOOLEY, Jessica				/
TOTAL (11)	9			2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ committee acronym(s) did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				