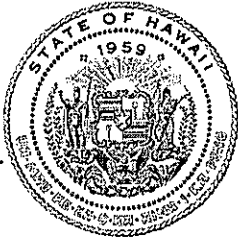


SB 2079

Requires film productions to comply with federal, state, and county laws in order to be eligible for the motion pictures, digital media, and film production income tax credit. Requires the Hawaii film office to work with the appropriate state or county agency if a film production takes place on state or county property. Prohibits unscripted or reality television programming from qualifying for the tax credit.



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT
OPERATIONS AND HOUSING**
Monday, February, 10, 2014
2:45 PM
State Capitol, Conference Room 016

in consideration of
SB2079
**RELATING TO THE MOTION PICTURES, DIGITAL MEDIA, AND
FILM PRODUCTION INCOME TAX CREDIT**

Chair Dela Cruz, Vice Chair Slom, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) strongly supports SB 2079 which would amend Section 235-17, Hawaii Revised Statutes, to mandate that productions applying for the Motion Pictures, Digital Media and Film Production tax credit comply with all applicable statutes, ordinances, rules, and regulations of the federal, state and county governments; and that these production companies work with the Hawaii film office and any appropriate state or county agencies if production takes place on property under the jurisdiction of the state or county agency.

DBEDT respectfully requests that this bill be amended to delete language qualifying the types of laws with which the production must comply and to specify that approvals need to be sought from the Hawaii film office for any filming activity. DBEDT proposes the following amendment to Section 237-17(d):

(6) Comply with all applicable statutes, ordinances, rules, and regulations of the federal, state, and county governments, including but not limited to those relating to noise, air and water pollution, and public health safety; and
(7) Work with the Hawaii film office and any appropriate state or county agencies [to secure approvals for filming] if production takes place on property under the jurisdiction of a state or county agency."

DBEDT supports the amendment that would add to the list of non-qualified productions under Section 235-17, those that are unscripted, soft-scripted, or reality

television programming. We request the term “soft-scripted” be added to this section as it is used by industry and better defines this type of production.

DBEDT also requests an amendment to the measure to specify that no qualified production costs that have been financed with state funds—such as grants in aid from the Legislature, or contracts from other state agencies—shall qualify for tax credits under this section. DBEDT proposes the following amendment to Section 237-17(e):

“(e) On or after July 1, 2006, no qualified production cost that has been financed by investments for which a credit was claimed by any taxpayer pursuant to section 235-110.9 is eligible for credits under this section. On or after July 1, 2014, no qualified production cost that has been financed by state funds is eligible for credits under this section.”

Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
WILLIAM J. AILA, JR.
Chairperson

Before the Senate Committee on
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING

Wednesday, February 10, 2014
2:45 PM
State Capitol, Conference Room 225

In consideration of
SENATE BILL 2079
RELATING TO MOTION PICTURES, DIGITAL MEDIA, AND FILM PRODUCTION
INCOME TAX CREDIT

Senate Bill 2079 proposes to require film productions to comply with federal, state and county laws in order to be eligible for the motion pictures, digital media and film production tax credit. **The Department of Land and Natural Resources (Department) supports this measure.**

In the recent past, the Department has dealt with film productions who have engaged in film production without proper permits and thus have violated the state's laws and administrative rules. The Department believes that this measure will promote greater compliance with state laws and rules and will serve to encourage closer collaboration between the Department, other State regulatory agencies such as the State Film Office and with motion picture, digital media and film production companies. The Department urges your strong support of this measure.

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ESTHER KIA'AINA
FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAIHOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
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FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Economic Development, Government Operations and
Housing

Date: Monday, February 10, 2014
Time: 2:45 p.m.
Place: Conference Room 016, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2079 Relating to The Motion Pictures, Digital Media, and
Film Production Income Tax Credit

The Department of Taxation (Department) supports and defers to the Department of
Business Economic Development and Tourism on the merits of S.B. 2079.

S.B. 2079 amends section 235-17, Hawaii Revised Statutes, to require a production to (1)
comply with all applicable statutes, ordinances, rules, and regulations of the federal, state, and
county governments, and (2) work with the Hawaii Film Office and any appropriate State or
County agencies if production takes place on property under jurisdiction of a state or county
agency in order to qualify for the motion pictures, digital media, and film production income tax
credit. The measure also amends the definition of "qualified production" to exclude productions
that are unscripted or reality television programming. S.B 2079, if adopted, will take effect on
July 1, 2014.

The Department supports the reiteration that all taxpayers must comply with all
applicable statutes, ordinances, rules, and regulations of the federal, state, and county
governments. It is not burdensome in any way to ask the recipient of any tax incentive provided
by the State to comply with all applicable laws. Therefore, it is logical that noncompliance with
applicable laws will result in disqualification from being able to claim the credit.

The Department also supports the requirement set for the in paragraph (7), which requires
any taxpayer claiming the credit whose production is taking place on any state or county to work
with the Hawaii Film Office and any other relevant government agency. For any productions
interested in filming in Hawaii, the Hawaii Film Office is the coordination center for film and
photographic use of state-administered parks, beaches, highways, and facilities. The Department
believes that requiring production companies to work with the Hawaii film office and any

Department of Taxation Testimony
SB 2079, EGH
February 10, 2014
Page 2 of 2

appropriate State or County agencies will ensure compliance and enhance communication between the production companies and the relevant government agencies including the Hawaii Film Office.

Thank you for the opportunity to provide comments.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Motion picture, digital media, film production tax credit qualifications

BILL NUMBER: SB 2079

INTRODUCED BY: Dela Cruz, Kahele, Kidani, Solomon, Wakai and 1 Democrat

BRIEF SUMMARY: Amends HRS section 235-17 to provide that in order to qualify for the motion picture, digital media, film production tax credit, a production shall also: (1) comply with all applicable statutes, ordinances, rules, and regulations of the federal, state, and county governments, including but not limited to those relating to noise, air and water pollution, and public health safety; and (2) work with the Hawaii film office and any appropriate state or county agencies if production takes place on property under the jurisdiction of a state or county agency.

Amends the definition of “qualified production” to exclude productions that are unscripted or reality television programming.

EFFECTIVE DATE: July 1, 2014

STAFF COMMENTS: This measure adds qualifications to claim the motion picture, digital media, film production tax credit by also requiring the production to comply with all federal, state and county laws with regard to noise, air and water pollution and public health safety. The measure also requires a production to work with the Hawaii film office and the appropriate state or county agencies.

Of these requirements, the second appears to be a no-brainer. Do productions actually go onto agency property without letting the agency know? The first requirement seems impossible to administer. How can any production prove, and how can any agency verify, that a production has complied with all federal, state and county laws, rules and regulations? Does a violation of one regulation, however slight, result in wholesale forfeiture of a credit which the production has relied upon when they made the decisions to shoot in Hawaii?

Digested 2/6/14