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To: The Honorable Tom Brower, Chair  
and Members of the House Committee on Tourism

Date: Wednesday, February 11, 2015  
Time: 9:30 A.M.  
Place: Conference Room 312, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: H.B. 1500, Relating to The Creative Media Industry

The Department of Taxation (Department) defers to the Department of Business Economic Development and Tourism (DBEDT) and Hawaii Tourism Authority (HTA) on the merits of S.B. 1155 and provides the following comments for your consideration.

H.B. 1500 transfers the Hawaii Film Office and its statutory elements from DBEDT to HTA, and creates a new media development special fund to assist in and provide incentives for the production of eligible Hawaii projects. Section 3 of H.B. 1500 creates a general excise tax exemption for the amounts received from the construction of a Hawaii film facility under a financing agreement pursuant to chapter 37D, Hawaii Revised Statutes (HRS), or the operations of a Hawaii film facility constructed under a financing agreement pursuant to chapter 37D, HRS. Section 6 of H.B. 1500 exempts from use tax the material, parts, or tools imported or purchased that are used for a Hawaii film facility or in the construction of a Hawaii film facility.

The Department notes the importance of the Hawaii Film Office's role in the administration of the motion picture, digital media, and film production income tax credit (film tax credit). The Hawaii Film Office acts as a gatekeeper of the film tax credit, by pre-qualifying productions, certifying qualified production costs, and certifying the amount of film tax credits claimed by qualified productions for each taxable year. The Department supports a continued partnership with the Hawaii Film Office in the administration of the film tax credit.

For the purpose of consistency, the Department suggests the following amendment to the tax exemption language in Section 3:

**"§237- Hawaii film facility; exemption.** This chapter shall not apply to amounts received from:

- (1) The construction of a Hawaii film facility as defined in section 201B-A under a financing agreement pursuant to chapter 37D; or
- (2) The operations of a Hawaii film facility as defined in section 201B-A and constructed under a financing agreement pursuant to chapter 37D."

The Department also suggests the following amendments to Section 6, page 25, line 10, to clarify the use tax exemption:

"(11) The use of material, parts, or tools imported or purchased by a person licensed under chapter 237, that are used for a Hawaii film facility as defined in section 201B-A and constructed under a financing agreement pursuant to chapter 37D or in the construction of a Hawaii film facility as defined in section 201B-A under a financing agreement pursuant to chapter 37D."

Thank you for the opportunity to provide comments.



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development and Tourism  
before the  
**House Committee on Tourism**  
Wednesday, February 11, 2015  
9:30 AM  
State Capitol, Conference Room 312

In consideration of  
**HB1500**  
**RELATING TO THE CREATIVE MEDIA INDUSTRY.**

Chair Brower, Vice Chair Ohno, Members of the Committee.

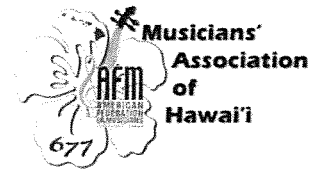
The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of HB 1500 which seeks to transfer the Hawaii Film Office and its programmatic and statutory elements from DBEDT to the Hawaii Tourism Authority and establish a special fund to implement film, television, digital and new media development activities.

Hawaii's film industry generates approximately \$220M in direct spending to the State's economy annually, providing \$385M in economic impact and supports more than 2,000 jobs. It has the capability of doing so much more. This measure draws attention to the Hawaii Film Office's need for additional funding and staffing to support this industry through its statutory mandates of administering the State's tax credit and film permitting programs. Providing the necessary support and environment for film to flourish would make a dramatic difference for the industry and its impact on the State's economy.

DBEDT recognizes the potential synergies between the film program and HTA. DBEDT would like to point out that the broader scope of creative media may not be consistent with HTA's responsibilities and those activities are appropriately placed under the department's statutory responsibility for economic development. We look

forward to the opportunity to discuss these and other issues further with the Legislature, the Administration and HTA.

Thank you for allowing us to comment on this measure.



House of Representatives  
The Twenty-Eighth Legislature  
Regular Session of 2015

Committee on Tourism  
Representative Tom Brower, Chair  
Representative Takashi Ohno, Vice Chair

RE: HB 1500 - RELATING TO THE CREATIVE MEDIA INDUSTRY  
Wednesday, February 11, 2015, 9:30 a.m., Conference Room 312  
State Capitol, 415 South Beretania Street, Honolulu, HI

Aloha Chair Brower, Vice Chair Ohno and Members of the Committee,

We represent the film industry unions, Brenda Ching, SAG-AFTRA Hawaii Local, Henry Fordham, I.A.T.S.E. Local 665 and Brien Matson, American Federation of Musicians' Local 677. Together we represent over 1500 members working in film, television and new media productions as performers, crew and musicians in Hawaii.

We appreciate the legislature's strong support of the creative industry sector and that we all work together to create the best environment for measured growth and sustainability for the industry.

We would like to provide the following comments on the measure:

The Film industry is a unique and creative industry. At its core, it promotes and provides jobs and business opportunities for a broad spectrum of local companies. It is a business and economic driver for the State.

Structurally the film tax credit may not fit with HTA. We encourage detailed discussions about this as the Production Tax Credit and its administration is vital to grow and sustain the industry.

Film and Tourism do complement each other but they are very distinct and separate industrial engines that influence our local economy, particularly when it comes to how the islands are positioned in marketing messages.

The Film industry is a business that is driven by content; the telling of stories commemorating events or documenting history which touches on many subjects and sensitivities. Hawaii has proven it is a stage that can play the world as itself as in *Hawaii Five-0* and *The Descendants*, or as other locations as in *Jurassic Park*, *Lost* and *Pirates of Caribbean*. The industry must be able to support content without prejudice, whether or not it is the Visitor Bureau's view of Hawaii. We also encourage detailed discussions about this as you deliberate the best place for the film industry division to be located.

Thank you for giving us the opportunity to offer these comments.