
A BILL FOR AN ACT

RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the film industry in
2 Hawaii is an important component of a diversified economy. The
3 legislature also finds that the motion picture, digital media,
4 and film production income tax credit has been effective in
5 stimulating the economy and creating quality jobs in a clean
6 industry while promoting Hawaii as a visitor destination.

7 The legislature further finds that the film production
8 process can extend over several years due to extensive planning
9 and development in the preproduction stage. The motion picture,
10 digital media, and film production income tax credit's current
11 sunset date of January 1, 2019, will discourage new productions
12 that may be in the development and preproduction phases at that
13 point in time.

14 The purpose of this Act is to extend the motion picture,
15 digital media, and film production income tax credit for an
16 additional five years to provide stability and economic
17 incentive predictability for the film industry, so Hawaii



1 remains competitive and comparable to other jurisdictions in
2 attracting qualified productions, which generates additional
3 revenue, jobs, and tourism marketing exposure.

4 SECTION 2. Act 89, Session Laws of Hawaii 2013, is amended
5 by amending section 3 to read as follows:

6 "SECTION 3. Act 88, Session Laws of Hawaii 2006, is amended
7 by amending section 4 to read as follows:

8 "SECTION 4. This Act shall take effect on July 1, 2006;
9 provided that:

10 (1) Section 2 of this Act shall apply to qualified
11 production costs incurred on or after July 1, 2006,
12 and before January 1, [~~2019~~] 2024; and

13 (2) This Act shall be repealed on January 1, [~~2019~~] 2024,
14 and section 235-17, Hawaii Revised Statutes, shall be
15 reenacted in the form in which it read on the day
16 before the effective date of this Act."

17 SECTION 3. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2016.

20

INTRODUCED BY: Cleved
John A. Ryan
Michelle E. Lee

H.B. NO. 2088

Report Title:

Film; Digital Media Industry; Tax Credit

Description:

Extends the sunset date of the motion picture, digital media, and film production income tax credit for an additional five years.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

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DIRECTOR

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Statement of
Luis P. Salaveria
Director

Department of Business, Economic Development, and Tourism
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Friday, February 05, 2016

9:01 AM

State Capitol, Conference Room 312

In consideration of
HB2088

RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT.

Chair Kawakami, Vice Chair Kong, and Members of the House Committee on Economic Development & Business.

The Department of Business, Economic Development and Tourism (DBEDT) strongly supports the intent of HB2088, which would extend the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit program for an additional five years. However, DBEDT prefers HB2297, an Administration bill, which eliminates the sunset date.

Act 88/89, which was established in July 2006 and enhanced in 2013, has met the goals intended by the Legislature to ensure Hawaii's competitive advantage in the industry. To date, the program has generated an estimated \$3.7 billion in overall economic activity in the State since 2006, creating an average of 2,500 industry jobs annually.

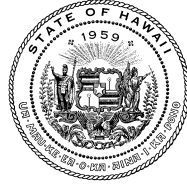
DBEDT supports HB2297 which seeks to eliminate the sunset date because we believe that making the credit program permanent sends the strongest message to the industry that Hawaii is committed to growing film and digital media activity to become an even greater driver of our State's economy. Certainly eliminating or extending the sunset date provides industry with the predictability necessary for planning purposes.

Hawaii must take this step in order to remain competitive on a global scale.

Thank you for the opportunity to testify on this measure.

DAVID Y. IGE
GOVERNOR

SHANTSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Derek S.K. Kawakami, Chair
and Members of the House Committee on Economic Development & Business

Date: February 5, 2016

Time: 9:01 A.M.

Place: Conference Room 312, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 2088, Relating to Film Media Industry Development.

The Department of Taxation (Department) supports the intent of H.B. 2088, and offers the following comments for your consideration.

H.B. 2088 amends Act 88, Session Laws of Hawaii (SLH) 2006, which was amended by Act 89, SLH 2013, by extending the sunset date of the motion picture, digital media, and film production income tax credit (film tax credit) for qualified production costs incurred on or before January 1, 2019 to qualified production costs incurred on or before January 1, 2024. H.B. 2088 is effective on July 1, 2016.

The Department is able to implement this measure, and notes the importance of the Hawaii Film Office's role in the administration of the 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.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extend Movie/TV Production Tax Credit

BILL NUMBER: SB 2790; HB 2088 (Identical)

INTRODUCED BY: SB by WAKAI, INOUE, Harimoto, Ihara, Kim, Riviere, Slom, Taniguchi; HB by C. LEE, CULLEN, LOWEN, YAMANE

EXECUTIVE SUMMARY: Extends the motion picture, television, and digital media production credit for five years, to January 1, 2024. It may be possible to make the case that the benefits have outweighed the costs, and proponents of this measure should be given the chance to put the proof into their pudding.

BRIEF SUMMARY: Amends Act 89, SLH 2013, and Act 88, SLH 2006, to extend the sunset date of the credit in HRS section 235-17, so that the credit is repealed on January 1, 2024.

EFFECTIVE DATE: July 1, 2016.

STAFF COMMENTS: Act 107, SLH 1997, enacted an income tax credit of 4% for costs incurred as a result of producing a motion picture or television film in the state and 7.25% for transient accommodations rented in connection with such activity. The credit was adopted largely to address the impost of the state's general excise tax on goods and services used by film producers. Act 88, SLH 2006, increased the 4% credit to 15% in a county with a population over 700,000 and to 20% in a county with a population of 700,000 or less. Act 88 also repealed the income tax credit for transient accommodations and expanded the credit to include commercials and digital media productions, and limited the credit to \$8 million per qualified production. Act 89, SLH 2013, increased the motion picture, digital media, and film production tax credit from 15% to 20% for the costs incurred in a county with a population over 700,000 and from 20% to 25% for costs incurred in a county with a population of 700,000 or less; and increased the total tax credits that may be claimed per qualified production from \$8 million to \$15 million. The act also extended the motion picture, digital media and film production credit from 12/31/15 to 12/31/18.

Sponsors try to make an argument that Hawaii needs to enact such incentives to compete for this type of business, but one has to ask, "At what price?" There are insufficient resources to catch up on the backlog of school repairs and maintenance, to fund social programs and not being able to provide tax relief to residents. Yet lawmakers are willing to subsidize film production, as proposed in this measure, and tighten the screws on everyone else to fund the subsidies.

While film producers may moan that they will lose money without the proposed tax credits, how do they share the wealth when the film makes millions? If promoters of the film industry would just do their job in outlining the advantages of doing this type of work in Hawaii and address some of the costly barriers by correcting them, Hawaii could be a competitive film destination with fewer tax incentives. From permitting to skilled labor to facilitating transportation of

equipment, there are ways to address the current drawbacks of filming in Hawaii. Unless these intrinsic elements are addressed, movie makers will probably demand subsidies, such as this incentive. Unfortunately, they come at the expense of all taxpayers and industries struggling to survive in Hawaii.

Certainly, the film industry promises increased opportunities. Some of them certainly have materialized. But chasing these opportunities needs to be balanced against the cold hard reality of solving the problems at hand. Lawmakers need to ask whether production tax credits create sustainable economic development. It's well known that most productions shoot for a while and then wrap; the crew that supports the production then jumps to the next one. A case may be made for the production credits if they keep the productions rolling in and contributing to the economy. But the people need to see that case. If not, the resources that are now directed to the credits could instead lower the overall tax burden not only for families but for the businesses that provide long-term employment for Hawaii's people.

Digested 1/31/2016

LATE

**TESTIMONY OF NBC UNIVERSAL MEDIA, LLC. IN SUPPORT OF
H.B. NO. 2088, RELATING TO FILM AND DIGITAL MEDIA INDUSTRY
DEVELOPMENT**

DATE: Friday, February 5, 2016

TIME: 9:00 am

To: Chairman Derek Kawakami and Members of the House Committee on Economic Development & Business:

The purpose of this bill is to extend the qualified production tax credit from December 31, 2018 to December 31, 2024, a period of five years. The original legislation which was passed in 2013 and signed into law as Act 89, which increased the film tax credit by 5% and is set to sunset on January 1, 2019.

NBC Universal Media, LLC (“NBCUniversal”) joins other film and TV companies in supporting this bill which extends the sunset date to January 1, 2024. This will enable the film industry and producers to plan accordingly and to be assured that the film tax credit will survive for the next eight years. The planning, development and actual production of a film and television series takes several years to develop. NBCUniversal together with other film and TV producers in the industry feel that an extended sunset date will foster the continued growth and provide for predictability and certainty of the film and media industry in Hawaii.

NBCUniversal develops, produces, broadcasts and distributes motion pictures, television programs and related content around the world. Over the last several years the Hawaii Legislature and the people of Hawaii have developed a clear consensus that the motion picture, television and related digital media industries (the “Film Industry”) in Hawaii has become an important component of a diversified economy and has had a positive

financial impact on the State of Hawaii which can be strengthened significantly if Hawaii's existing incentives for the Film Industry are continued.

While Hawaii may be perceived as a highly desirable destination that would instinctively attract the Film Industry, the State needs to take affirmative steps to ensure Hawaii is at the top of the list and not left behind in the wake of other domestic and international locales. HB 2088 will help to ensure that Hawaii is competitive with film destinations around the globe and does so in a manner that is sustainable and rational for the long term. NBCUniversal stands ready to work with the Hawaii Legislature, the Administration and local Film Industry stakeholders to continue, improve and enhance Hawaii's film incentive program to help build a predictable, robust, stable and sustainable Film Industry in the State of Hawaii.

NBCUniversal feels that as a result of the various film and television productions that the Film Industry has brought to Hawaii, there has been a significant increase in spending within the state and growth in workforce development due to these film and television productions. Further, such productions stimulate more direct and indirect tax revenue and that a properly designed tax incentive program can actually increase local tax revenues.

NBCUniversal strongly feels that in order to stimulate such dramatic growth it is necessary to continue Hawaii's existing tax incentive program in order to allow Hawaii to effectively compete internationally with other film production centers in attracting a greater number of significant projects to the islands and to continue to build Hawaii's local film industry.

We feel that this bill will accomplish these goals.

The Film Industry also has a strong desire to hire locally and invest in the training and workforce development of island-based personnel and intends to continue the practice of hiring a significant number of residents and to support training and opportunities for those residents. This was all highlighted in the recent report prepared by the Hawaii Film Office, Department of Business, Economic Development and Tourism on December 30, 2015.

Again like others in the film and television industry, NBCUniversal supports this bill relating to the qualified production tax credit and advocates for extension of the sunset date.

Thank you for the opportunity to present this testimony in support of this bill.

If you have any further questions, please feel free to contact Bob Toyofuku of Advocates (808) 554-0852 or Ron Orlando of Comcast NBCUniversal (215) 823-9463.

kong2 - Christie

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 04, 2016 10:03 AM
To: edbtestimony
Cc: hawaiiifishingfanatic@gmail.com
Subject: Submitted testimony for HB2088 on Feb 5, 2016 09:01AM

HB2088

Submitted on: 2/4/2016

Testimony for EDB on Feb 5, 2016 09:01AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Don Aweau	Individual	Support	No

Comments: Many local residents and Native Hawaiians are employed by the film and media industry. Important to continue the growth of an industry supported by island residents, local businesses and tourism industry. Mahalo.

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

CBS CORPORATION STATEMENT IN SUPPORT'
OF HAWAII HOUSE BILL 2088
BEFORE THE HOUSE ECONOMIC DEVELOPMENT
& BUSINESS COMMITTEE

Friday, February 5, 2016

State Capitol

Honolulu

GOOD MORNING MISTER CHAIRMAN AND MEMBERS OF THE COMMITTEE. MY NAME IS JEFF DOWNER. I AM THE CO-EXECUTIVE PRODUCER OF HAWAII FIVE-O, WHICH AIRS ON CBS. AS YOU KNOW CBS PRODUCES, BROADCASTS AND DISTRIBUTES WORLDWIDE THE POPULAR TELEVISION SERIES HAWAII 5-0, NOW IN ITS SIXTH YEAR HERE IN THE ALOHA STATE.

ON BEHALF OF CBS AND ALL 300 5-0 CAST AND CREW MEMBERS, WE ENTHUSIASTICALLY SUPPORT HOUSE BILL 2088. THIS LEGISLATION WILL EXTEND THE PRODUCTION TAX INCENTIVE PROGRAM FOR FIVE YEARS.

BY EXTENDING THE PROGRAM, THE LEGISLATURE WILL CREATE FURTHER STABILITY AND PREDICTABILITY TO ONE OF THE MOST SUCCESSFUL AND COMPETITIVE INCENTIVE PROGRAMS IN THE UNITED STATES AND WELL AS WORLDWIDE.

COST, AS WELL AS PRODUCTION INCENTIVE PROGRAM STABILITY AND LONGEVITY, ARE THE THREE MOST IMPORTANT FACTORS IN DETERMINING WHERE A TELEVISION SERIES WILL BE PRODUCED. THE VISION OF THE HAWAII LEGISLATURE TO CREATE JOBS AND STIMULATE THE ECONOMY HAS BEEN REALIZED BY ATTRACTING HAWAII 5-0 AND SUSTAINING THE PRODUCTION, WHICH IS NOW IN ITS SIXTH

SEASON. THE SERIES CURRENTLY EMPLOYS 300 CAST AND CREW MEMBERS AND ABOUT 250 LOCAL BACKGROUND PERFORMERS AN EPISODE.

HB 2088 ENHANCES THAT STABILITY AND PAVES THE WAY FOR 5-0 IN FUTURE YEARS UPON RENEWAL, AS WELL AS POTENTIALLY NEW TELEVISION SERIES.

IN ADDITION TO STIMULATING THE ECONOMY, WHICH IS ESTIMATED IN \$400 MILLION TOTAL SPEND OVER THE PAST FIVE YEARS, AND THIS YEAR WILL BE AN ADDITIONAL \$87 MILLION DOLLARS, HAWAII 5-0 HAS BEEN AN HAWAIIAN SHOWCASE THAT HAS ALSO STIMULATED TOURISM TO THE ISLANDS FROM VISITORS AROUND THE WORLD. 5-0 IS NOT ONLY POPULAR IN THE U.S., IT HAS FOUND ENORMOUS AUDIENCES WORLDWIDE.

THIS MARCH, HAWAII 5-0 WILL BE HONORED BY THE SCHOOL OF TRAVEL AND INDUSTRY MANAGEMENT FOR THE CRITICAL ROLE THE SHOW PLAYS PROMOTING TOURISM FOR THE STATE OF HAWAII SINCE 1968 BY SHOWCASING THE BEAUTIFUL CULTURE AND LANDSCAPE TO TELEVISION SETS ACROSS THE WORLD.

ON BEHALF OF CBS WE LOOK FORWARD TO A CONTINUATION OF ITS PARTNERSHIP WITH HAWAII, AND BEING A MEMBER OF THE COMMUNITY FOR YEARS TO COME.