



**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
SENATE COMMITTEE ON WAYS AND MEANS
Monday, March 2, 2015
1:00 PM
State Capitol, Conference Room 211

In consideration of
SB1155, SD1
RELATING TO THE CREATIVE MEDIA INDUSTRY.

Chair Tokuda, Vice Chair Kouchi, Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of SB 1155, SD1, 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. If the film program is provided additional support and an environment in which to flourish, it could grow the industry and increase its impact on the State's economy.

Should the Legislature be inclined to pass this measure, DBEDT respectfully requests that the Legislature appropriates additional funds for both FY 2016 and FY 2017. As part of this measure, any established special fund would require the ability to capture the revenues from rental of the Hawaii Film Studio facility, which the current draft does not.

Given the film program's current funding and staffing shortages, DBEDT requests that the bill provide additional resources to the Hawaii Film Office to manage low

interest loans, grant programs, industry advisory groups, and new film facility development on top of its current statutory duties.

Thank you for allowing us to comment on this measure.

DAVID Y. IGE
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To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Monday, March 2, 2015
Time: 1:00 P.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1155, S.D.1, Relating to Creative Media Industry

The Department of Taxation (Department) defers to the Department of Business Economic Development and Tourism (DBEDT) and the Hawaii Tourism Authority (HTA) on the merits of S.B. 1155, S.D. 1, and provides the following comments for your consideration.

S.B. 1155, S.D. 1, 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 the measure 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 the measure 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 set forth in Section 3 of the bill:

"§237- Hawaii film facility. 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 26, line 13 of the bill, 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.



The Senate
The Twenty-Eighth Legislature
Regular Session of 2015

Committee on Ways and Means
Senator Jill N. Tokuda, Chair
Senator Ronald D. Kouchi, Vice Chair

RE: SB 1155 - RELATING TO THE CREATIVE MEDIA INDUSTRY
Date: Monday, March 2, 2015,
Conference Room 211
State Capitol, 415 South Beretania Street, Honolulu, HI

Aloha Chair Tokuda, Vice Chair Kouchi and Members of the Committee,

We are representatives of the film and entertainment 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 do not support SB 1155. 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 and individuals. It is a business and economic driver for the State, and well positioned in DBEDT.

While Film and Tourism do complement each other in some ways, 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.

The film office needs additional funding to market the tax credit and support the local and out of state companies that come to our islands to film. Therefore, we hope you would consider adding additional dollars to fund the office. However, we strongly believe that the film office is in the right agency, DBEDT's Creative Industries Division.

We appreciate the legislature's strong support of the film industry. Thank you for giving us the opportunity to offer testimony opposing this measure.

c/o SAG-AFTRA, 949 Kapiolani Blvd., Suite 105, Honolulu, Hawaii 96814 * 808-596-0388