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**David Y. Ige**  
*Governor*

**Ronald Williams**  
*Chief Executive Officer*

Testimony of  
**Ronald Williams**  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**S.B. No. 1155, S.D.2**  
**Relating to the Creative Media Industry**  
House Committee on Tourism  
Wednesday, March 18, 2015  
9:30 a.m.  
Conference Room 312

The Hawai'i Tourism Authority (HTA) supports S.B. 1155, S.D.2, which assigns to the HTA the Film Industry Branch responsibilities for film development and marketing.

The 2000 Film and Television Study found that the film business is good business for Hawaii's visitor-based economy. The study found that key visitor business can be substantially affected, as when the film-related business for an O'ahu hotel totaled 4,300 room nights, valued at \$1.6 million. Film projects provide millions in dollars of free advertising and marketing by simply showcasing a Hawai'i location and consequently, the Hawai'i brand. In addition, the film industry contributes to the economy by utilizing the services of other businesses such as hotels, airlines, vehicle rentals, restaurants and caterers, and various suppliers and retailers.

S.B. 1155, S.D.2, provides a structure to optimize the development of the industry by pooling diverse and fragmented resources to aggressively market and nurture the growth of a film industry. It will create a sound base that can be built upon to develop the programs and infrastructure to expand Hawai'i's opportunities in film.

For these reasons, we support S.B. 1155, S.D.2

Mahalo for the opportunity to present these comments.



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

DAVID Y. IGE  
GOVERNOR

LUIS P. SALAVERIA  
DIRECTOR

MARY ALICE EVANS  
DEPUTY DIRECTOR

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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development and Tourism  
before the  
**HOUSE COMMITTEE ON TOURISM**  
Wednesday, March 18, 2015  
9:30 AM  
State Capitol, Conference Room 312

In consideration of  
**SB1155, SD2**  
**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 SB 1155, SD2, 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 pass this measure, DBEDT respectfully requests that the Legislature appropriates additional funds for both FY 2016 and FY 2017.

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 loan and grant programs, industry advisory groups, and other industry development on top of its current statutory duties.

Thank you for allowing us to comment on this measure.

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



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

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

Date: Wednesday, March 18, 2015  
Time: 9:30 A.M.  
Place: Conference Room 312, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 1155, S.D.2, Relating to the 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. 2, and provides the following comments for your consideration.

S.B. 1155, S.D. 2, transfers the Hawaii Film Office and its statutory elements from DBEDT to HTA, and creates a new film development and marketing special fund to assist in film office operations and marketing and the production of eligible Hawaii film and television projects. Section 3 of the measure creates a general excise tax exemption for the amounts received from the improvements of the Hawaii film studio under a financing agreement pursuant to chapter 37D, Hawaii Revised Statutes (HRS), or the operations of the Hawaii film studio. Section 6 of the measure exempts from use tax the material, parts, or tools imported or purchased that are used for the Hawaii film studio and improvements made to the Hawaii film studio. S.D. 2 has a defective effective date of July 1, 2053.

The Department acknowledges 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 the starting point 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 this capacity.

Section 2 of this measure appropriates funds out of the film development and marketing special fund for the implementation of film and development activities. As section 235-17, HRS, currently reads, amounts received from this special fund could also qualify the production for the

film credit, essentially generating an income tax benefit based on special funds received from a government agency. The Department suggests the following amendment to Section 5, to exclude amounts received by productions from State agencies, including the HTA, from being "qualified production costs" for purposes of claiming the credit under section 235-17(e), HRS:

(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. For taxable years beginning after December 31, 2014, qualified production costs shall be reduced by the amounts received from any State agency or body, including the Hawaii Tourism Authority, during the taxable year prior to claiming the credit.

Thank you for the opportunity to provide comments.



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

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

RE: SB 1155 SD2 - RELATING TO THE CREATIVE MEDIA INDUSTRY  
Date: Wednesday, March 18, 2015,  
Time: 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 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 SD2. 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.

While Film and Tourism do complement each other, 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 firmly believe that the film office is in the right agency – the Department of Business & Economic Development and Tourism (DBEDT). But the film office needs additional funds to market the tax credit and to support local and out of state companies. Therefore, we strongly urge you to consider adding additional funds necessary to run the film office.

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

**brower1-Luke**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 13, 2015 4:22 PM  
**To:** TOUtestimony  
**Cc:** diane.ragone@gmail.com  
**Subject:** \*Submitted testimony for SB1155 on Mar 18, 2015 09:30AM\*

**Categories:** CN

**SB1155**

Submitted on: 3/13/2015

Testimony for TOU on Mar 18, 2015 09:30AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Diane Ragone	Individual	Oppose	No

Comments:

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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