

# SB1155

Measure Title: RELATING TO THE CREATIVE MEDIA INDUSTRY.

Report Title: Hawaii Tourism Authority; Transfer of Authority; Film, Television, Digital, and New Media Development; Appropriation (\$)

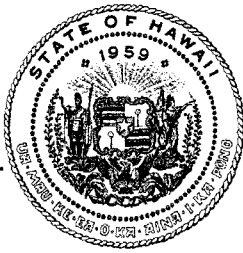
Description: Assigns to the Hawaii tourism authority the responsibilities for film, television, digital, and new media development. Repeals the film industry activities within the department of business, economic development, and tourism and makes conforming amendments. Appropriates funds from the special fund to the Hawaii tourism authority for implementation of the film, television, digital, and new media development activities.

Companion:

Package: None

Current Referral: EDT/TSI, WAM

Introducer(s): KIM, Wakai



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

DAVID Y. IGE  
GOVERNOR

LUIS P. SALAVERIA  
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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development and Tourism  
before the  
**Senate Committees on Economic Development and Technology and  
Tourism and International Affairs**  
Friday, February 6, 2015  
2:45 PM  
State Capitol, Conference Room 016

In consideration of  
**SB1155**  
**RELATING TO THE CREATIVE MEDIA INDUSTRY.**

Chairs Wakai and Kahele, Vice Chairs Slom and English, Members of the Committees.

The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of SB 1155 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.

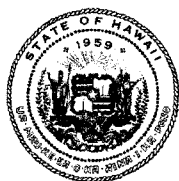
DBEDT recognizes the potential synergies between the film program and HTA. DBEDT would like to point out that the broader scope of creative media may not be

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.

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

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To: The Honorable Glenn Wakai, Chair  
and Members of the Senate Committee on Economic Development and  
Technology

The Honorable Gilbert Kahele, Chair  
And Members of the Senate Committee on Tourism and International Affairs

Date: Friday, February 6, 2015  
Time: 2:45 P.M.  
Place: Conference Room 016, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 1155, Relating to 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.

S.B. 1155 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 S.B. 1155 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 S.B. 1155 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 tax exemption in Section 3:

**"§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, 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.



# HAWAII TOURISM AUTHORITY

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**David Y. Ige**  
*Governor*

**Ronald Williams**  
*Chief Executive Officer*

Testimony of  
**Ronald Williams**  
President and Chief Executive Officer  
Hawaii Tourism Authority  
on  
**S.B. No. 1155**  
**Relating to the Creative Media Industry**  
Senate Committee on Economic Development and Technology  
Senate Committee on Tourism and International Affairs  
Friday, February 6, 2015  
2:45 a.m.  
Conference Room 016

The Hawaii Tourism Authority (HTA) supports S.B. 1155, which assigns to the HTA the responsibilities for the development of film, television, digital, and new media industry activities in Hawaii.

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 and television related business for an O'ahu hotel totaled 4,300 room nights, valued at \$1.6 million. Film and television projects provide millions in dollars of free advertising and marketing by simply showcasing a Hawaii location and consequently, the Hawaii brand. In addition, the film and television 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 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 Hawaii's opportunities in film, television, digital and new media.

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

Mahalo for the opportunity to present these comments.