

STAND. COM. REP. NO. 428

Honolulu, Hawaii

FEB 17 2017

RE: S.B. No. 1086
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Economic Development, Tourism, and
Technology, to which was referred S.B. No. 1086 entitled:

"A BILL FOR AN ACT RELATING TO THE MOTION PICTURE, DIGITAL
MEDIA, AND FILM PRODUCTION INCOME TAX CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Extend the motion picture, digital media, and film
production income tax credit for an additional five
years;
- (2) Place a cap on the annual aggregate amount of the
credit; and
- (3) Clarify that qualifying production costs are those costs
incurred and expended within the State.

Your Committee received testimony in support of this measure
from the Department of Business, Economic Development, and
Tourism; University of Hawaii; ILWU Local 142; Hawaii State AFL-
CIO; Motion Picture Association of America; SAG-AFTRA Hawaii
Local; I.A.T.S.E. Local 665; A.F.M. Local 677; Teamsters Local
996; and two individuals. Your Committee received comments on
this measure from the Department of Taxation, Office of the
Auditor, and Tax Foundation of Hawaii.



Your Committee finds that the film industry in Hawaii is an important component of a diversified economy. Your Committee finds that the motion picture, digital media, and film production income tax credit is an effective means of stimulating the economy and creating quality jobs while promoting Hawaii as a visitor destination. Your Committee further finds that the extension of the motion picture, digital media, and film production income tax credit will provide stability and predictable economic incentives for the film industry and people employed in the film industry in the State.

Your Committee has amended this measure by:

- (1) Specifying that taxpayers claiming the tax credit are required to prequalify for the credit by registering with the Film Office of the Department of Business, Economic Development, and Tourism, and are required to obtain certification from the Film Office;
- (2) Specifying that the Department of Business, Economic Development, and Tourism reporting requirement regarding fiscal impact to the State entails reporting on those film productions receiving the tax credit;
- (3) Requiring that to qualify for the tax credit, a production must provide evidence of recognition, ability to understand, and efforts to respect and comply with cultural and environmental sensitivities in sensitive locations; including employing or contracting for the services of cultural resources or historical, cultural, or language experts to advise the production;
- (4) Requiring that to qualify for the tax credit a production must agree that if the production claims a credit of more than \$8,000,000, the production will provide an advanced screening of the finished product in the county of the island in which the majority of the production took place;
- (5) Removing the cap on the annual aggregate amount of the credit; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Economic Development, Tourism, and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1086, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1086, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development, Tourism, and
Technology,



GLENN WAKAI, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Economic Development, Tourism, and Technology
ETT

Bill / Resolution No.:* SB 1086	Committee Referral: ETT, NAM	Date: 2/10/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
BAKER, Rosalyn H.				✓
GALUTERIA, Brickwood	✓			
THIELEN, Laura H.				✓
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: _____				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes