

Honolulu, Hawaii

MAR 03 2017

RE: S.B. No. 1086
S.D. 2

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

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 1086, S.D. 1, 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 promote a diversified economy in the State by encouraging film production.

More specifically, the measure:

- (1) Extends, for an additional five years, the enhanced incentives of the motion picture, digital media, and film production income tax credit that were enacted pursuant to Act 89, Session Laws of Hawaii 2013;
- (2) Clarifies that qualifying production costs are those costs incurred and expended within the State;
- (3) Specifies 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;



- (4) Specifies 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;
- (5) Specifies 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; and
- (6) Specifies 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.

Your Committee received written comments in support of this measure from the Department of Business, Economic Development, and Tourism; Hawaii State AFL-CIO; SAG-AFTRA Hawaii Local; I.A.T.S.E. Local 665; American Federation of Musicians' Local 677; Hawaii Teamsters & Allied Workers Local 996; Motion Picture Association of America; and ILWU Local 142.

Your Committee received written comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the motion picture, digital media, and film production income tax credit is an effective means of creating jobs and stimulating and diversifying the State's economy. Filming in the State also helps promote Hawaii as a visitor destination. Your Committee believes that extending this tax credit for an additional five years will provide stability and the type of predictable economic conditions and incentives that promote continued growth of the industry in the State.

Your Committee has amended this measure by:



- (1) Establishing an annual aggregate cap of \$30,000,000 on the tax credit and allowing a taxpayer to claim the credit in a subsequent year if the aggregate cap has already been reached;
- (2) Clarifying that provisions in section 2 of the measure shall apply to taxable years beginning after December 31, 2017;
- (3) Providing that failure to submit a written, sworn statement identifying details of production costs, tax credits claimed, and local hiring may constitute a waiver of the right to claim the credit;
- (4) Making technical changes for clarity; and
- (5) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure.

Your Committee finds that this measure is a work in progress, and intends to continue to give serious consideration to this issue along with other pertinent committees. Your Committee recognizes the importance of, and need for, economic diversification. However, your Committee also recognizes the need to control tax expenditures in order to preserve resources for public programs.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1086, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1086, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

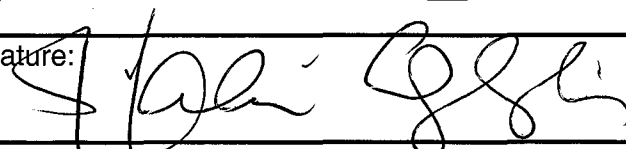


JILL N. TORUDA, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1086, SD1	ETT, WAM	27 Feb 2017		
<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
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)				/
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			
HARIMOTO, Breene	/			
INOUYE, Lorraine R.				/
KAHELE, Kaiali'i	/			
RIVIERE, Gil	/			
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.		/		/
WAKAI, Glenn				/
TOTAL	7	1		3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes