DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Mark M. Nakashima, Chair
and Members of the House Committee on Economic Development & Business

Date: Friday, February 10, 2017
Time: 9:00 A.M.
Place: Conference Room 309, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1328, Relating to Film and Digital Media Industry Development

The Department of Taxation (Department) defers to the Department of Business Economic Development and Tourism on H.B. 1328, and provides the following comments for your consideration.

H.B. 1328 extends the sunset date of the motion picture, digital media, and film production income tax credit (film credit) from January 1, 2019 to January 1, 2024, and adds additional requirements to qualify for the film credit. The measure applies to taxable years beginning after December 31, 2016.

First, if the Committee wishes to require taxpayers claiming the tax credit to submit an independent certification of qualified production costs, as specified in Section 2 of this bill, the Department suggests amending section 235-17(h), Hawaii Revised Statutes, to read as follows:

"(h) Every taxpayer claiming a tax credit under this section for a qualified production shall, no later than ninety days following the end of each taxable year in which qualified production costs were expended, submit [~~a written, sworn statement~~] to the department of business, economic development, and tourism[~~, identifying~~]:

(1) A written, sworn statement identifying:

[~~(1)~~] (A) All qualified production costs as provided by subsection (a), if any, incurred in the previous taxable year;

[~~(2)~~] (B) The amount of tax credits claimed pursuant to this section, if any, in the previous taxable year; and

[~~(3)~~] (C) The number of total hires versus the number of local hires by category and by county.

[~~This information may be reported from the department of business, economic development, and tourism to the legislature in redacted form pursuant to subsection (i)(4).~~]

(2) An independent certification of the qualified production costs eligible for the credit in the form of a tax opinion. To satisfy this paragraph, a tax opinion must reach a conclusion substantially similar to the following: "It is more likely than not that at least $(insert appropriate amount) expended by the taxpayer during (insert taxable year) would qualify as qualified production costs within the meaning of section 235-17, Hawaii Revised Statutes." To qualify as a tax opinion acceptable under this paragraph, such an opinion shall meet the requirements for covered opinions as set forth in Treasury Circular 230, 31 Code of Federal Regulations, subtitle A, part 10, section 10.35(c), which by this reference is incorporated herein, with conforming changes in nomenclature and other wording as authorized by chapter 235.

The information required in paragraph (1) may be reported from the department of business, economic development, and tourism to the legislature in redacted form pursuant to subsection (i)(4). Failure to comply with this subsection shall constitute a waiver of the right to claim the credit."

This measure does not have an administrative impact on the Department; however, the Department suggests making Section 2 of this measure apply to taxable years beginning after December 31, 2017 to prevent any ambiguity as to which productions the new requirements apply to.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
Luis P. Salaveria
Director
Department of Business, Economic Development, and Tourism
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Friday, February 10, 2017
9:00 AM
State Capitol, Conference Room 309

In consideration of
HB1328
RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT.

Chair Nakashima, Vice Chair Keohokalole, and Members of the House Committee on Economic Development & Business.

The Department of Business, Economic Development and Tourism (DBEDT) supports HB1328, which extends the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit program and requires a third-party review by a qualified CPA using agreed upon procedures prescribed by the department.

DBEDT believes the minimum shared-card, end-title screen credit is a critical requirement and benefit to the state under the tax credit program. It is an industry standard that screen credits be required for every production that uses a tax credit program worldwide. Those screen credits also “advertise” that the production was filmed in Hawaii and the specific island or islands where filming took place. While currently all film offices work with the productions and their marketing departments to leverage opportunities on a regular basis, the additional reporting requirement and mandating the marketing component and benefits would be in addition to the screen credit requirement.

We suggest as an alternative, that for FY17 and 18, a pilot program be implemented by the Creative Industries Division (CID), Hawaii Film Office, county film offices and visitor destination marketing organizations, and meet monthly to review such opportunities and seek increased exposure via marketing partnerships, wherever possible. Not all projects lend themselves to a marketing opportunity.

DBEDT respectfully <u>opposes</u> proposed language in Section 2, (d) (5) that stipulates that productions cannot claim as a qualified expenditure the cost of purchasing and importing necessary equipment items not available in Hawaii for their production, unless they have first proved they cannot procure those products or services within the state. We caution that not allowing imported items as qualified production expenditures can impact Hawaii's tax credit, rendering it less attractive and competitive.

The department <u>supports</u> the components of this measure which <u>require the third-party review prior to the film office certification</u>, and the <u>extension of the tax credit program beyond 2018</u> to ensure jobs are maintained for our creative sectors, Hawaii gains the benefits of ancillary marketing from film and television projects provide stability and predictability for the industry going forward, keeping Hawaii competitive on a global scale.

Thank you for the opportunity to testify on this measure.

SAG·AFTRA.

Musicians' Association of Hawai'i 677

The House of Representatives
The Twenty-Ninth Legislature
Regular Session of 2017

Committee on Economic Development & Business
Representative Mark M. Nakashima, Chair
Representative Jarrett Keohokalole, Vice Chair

RE: HB 1328 RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT

Date: Friday, February 10, 2017
Time: 9:00 a.m.
Conference Room 309
State Capitol, 415 South Beretania Street, Honolulu, HI

Aloha Chair Nakashima,Vice Chair Keohokalole and Members of the Committee,

We are the representatives of the film and entertainment industry unions, Brenda Ching, SAG-AFTRA Hawaii Local, Irish Barber, I.A.T.S.E. Local 665, Steve Pearson, American Federation of Musicians' Local 677 and Wayne Kaululaau, Hawaii Teamsters & Allied Workers Local 996. Collectively, we represent over 1700 members who work in film, television and new media productions as performers, crew, musicians and drivers in Hawaii.

We ***support*** HB 1328 portion of the bill that extends the sunset date of the film production income tax credit to January 1, 2024. We are competing in a global market and without tax credits we are at risk of losing jobs and productions. It is vital to extend the tax credit.

We support the *intent* to amend § 235-17, HRS, subsection (d) but we have some comments. In (B) alternative marketing opportunities, know that shared-card and end-title screen credits are *valuable* in the industry. It is *priceless* advertising for the State and should not be bartered. We agree that DBEDT should have a certified production accountant to oversee and account for the activities and expenditures of the film production tax credit.

The film industry is a *vibrant* and *creative* industry. At its core, it promotes the State, provides numerous jobs and business opportunities for a broad spectrum of local companies and is a proven business and economic driver for our State.

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

Brenda Ching	Irish Barber	Steve Pearson	Wayne Kaululaau
SAG-AFTRA Hawaii	I.A.T.S.E. Local 665	A.F.M. Local 677	Teamsters Local 996

c/o SAG-AFTRA Hawaii Local, 949 Kapiolani Blvd., Suite 106, Honolulu, HI 96814 * 808-596-0388

HAWAII STATE AFL-CIO

345 Queen Street, Suite 500 • Honolulu, Hawaii 96813

Randy Perreira
President

Telephone: (808) 597-1441
Fax: (808) 593-2149

The Twenty-Ninth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Economic Development and Business

Testimony by
Hawaii State AFL-CIO
February 10, 2017

H.B. 1328 – RELATING TO FILM AND
DIGITAL MEDIA INDUSTRY DEVELOPMENT

The Hawaii State AFL-CIO supports H.B. 1328 which extends the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit to January 1, 2024 and provides stability and economic incentive predictability for the film industry.

The film industry is a significant economic driver for the State of Hawaii. Many popular television shows such as Hawaii Five-0 and Lost have been produced in Hawaii including a number of box office hits such as Jurassic Park, Pirates of the Caribbean, and 50 First Dates. These movies and television shows help promote Hawaii's tourism industry and provide high-quality jobs to a number of Hawaii residents. By extending the film tax credit it will continue to encourage production companies to film and produce movies and shows in the State of Hawaii and allow Hawaii to remain competitive with other states and countries that have enacted a similar film tax credit.

Thank you for the opportunity to testify.

Respectfully submitted,

Randy Perreira
President

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extend Movie/TV Production Tax Credit

BILL NUMBER: HB 1328; SB 1253 (Identical)

INTRODUCED BY: HB by NAKASHIMA, Ichiyama, LoPresti, Oshiro; SB by WAKAI, HARIMOTO, KEITH-AGARAN, KIM, S. Chang, Dela Cruz, Gabbard, Inouye, Nishihara, Shimabukuro, Taniguchi, L. Thielen

EXECUTIVE SUMMARY: Extends the motion picture, television, and digital media production credit until 1/1/2024. Increases the credit amount for qualified production costs in a county other than Honolulu, if certain hiring criteria are met. It may be possible to make the case that the benefits have outweighed the costs.

BRIEF SUMMARY: Amends HRS section 235-17(h) to require that a credit claim be submitted with a "verification review" by a CPA using procedures prescribed by DBEDT.

Amends Act 89, SLH 2013, to extend the sunset date of the credit in HRS section 235-17, so that the credit is repealed on 1/1/2024.

Makes other technical changes.

EFFECTIVE DATE: Upon approval, applies to taxable years beginning after December 31, 2016.

STAFF COMMENTS: Act 107, SLH 1997, enacted an income tax credit of 4% for costs incurred because of producing a motion picture or television film in the state and 7.25% for transient accommodations rented in connection with such activity. The credit was adopted largely to address the burden of the state's general excise tax on goods and services used by film producers. Act 88, SLH 2006, increased the 4% credit to 15% in a county with a population over 700,000 and to 20% in a county with a population of 700,000 or less. Act 88 also repealed the income tax credit for transient accommodations and expanded the credit to include commercials and digital media productions, and limited the credit to $8 million per qualified production. Act 89, SLH 2013, increased the motion picture, digital media, and film production tax credit from 15% to 20% for the costs incurred in a county with a population over 700,000 and from 20% to 25% for costs incurred in a county with a population of 700,000 or less; and increased the total tax credits that may be claimed per qualified production from $8 million to $15 million. The act also extended the motion picture, digital media and film production credit to 12/31/18.

On the broader policy question of whether the credit is justified, we call attention to the findings of California's Legislative Analyst's Office (LAO).

Perhaps the most startling is the LAO's conclusion that $1 out of every $3 in credits went to productions that would have shot in California anyway. It turns out that California's credit was limited, the production companies applied for more credits than were available, and the state had to conduct a lottery to determine which of the productions would be awarded credit. But several productions began shooting even before lottery results were announced.

This result supports what Hawaii credit opponents have been saying over the years, namely, "They'll come anyway, so why do we need to pay them to come? We have great weather, blue sky, pristine beaches, and more."

The hard reality, however, is that productions are businesses and most do take a hard look at the bottom line, evidenced by the companies accounting for the other two-thirds of credits. Indeed, although the LAO lamented that industry-specific tax credits were "inappropriate public policy because they (1) give some businesses an unequal advantage at the expense of others and (2) promote unhealthy competition among states in a way that does not benefit the nation as a whole," LAO concluded that California shouldn't be giving up its production credit program while other states (including Hawaii) are actively competing with it for the production dollars. LAO recommended that California should consider scaling its program back when other states do.

At the same time, we in Hawaii need to remember that this interstate competition does affect us. We don't have a monopoly on beaches, sand, sunshine, forested hills, overgrown jungle, or other natural wonders. Productions can and do find comparable locations in Puerto Rico, New Zealand, and elsewhere.

Next, the LAO concluded that the tax credit program boosted California's economy only minimally, if at all. Because of the way California credits work, they saw state revenue benefits in the early years of the credit but found that the program cost more as time went on. We in Hawaii have had our production credit since 1997, so it's been almost twenty years. Have there been any studies about what the program has done for Hawaii's economy or Hawaii's tax revenue? None were cited to the Legislature when the Hawaii production tax credit was increased in 2013. Maybe we don't care as much about the hard dollars as we do about other intangible effects like local jobs, the development of a skilled workforce, or robust media education programs that simply weren't around at the turn of the century. Even if so, lawmakers should have data on these intangibles, and other cost-benefit information, so they can make intelligent decisions on this matter.

Certainly, the film industry promises increased opportunities. Some of them certainly have materialized. But chasing these opportunities needs to be balanced against the cold hard reality of solving the problems at hand. Lawmakers need to ask whether production tax credits create sustainable economic development. It's well known that most productions shoot for a while and then wrap; the crew that supports the production then jumps to the next one. A case may be made for the production credits if they keep the productions rolling in and contributing to the economy. But the people need to see that case. If not, the resources that are now directed to the credits could instead lower the overall tax burden not only for families but for the businesses that provide long-term employment for Hawaii's people.

Digested 2/9/2017

The Twenty-Ninth Legislature
Regular Session of 2017

HOUSE OF REPRESENTATIVES
Committee on Economic Development and Business
Rep. Mark M. Nakashima, Chair
Rep. Jarrett Keohokalole, Vice Chair
State Capitol, Conference Room 309
Friday, February 10, 2017; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1328
RELATING TO FILM AND DIGITAL MEDIA
INDUSTRY DEVELOPMENT**

The ILWU Local 142 supports H.B. 1328, which extends the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit to January 1, 2024. By extending the sunset date, the bill also provides stability and economic incentive predictability for the film industry.

It is well recognized that the film industry not only is a significant component of Hawaii's economy, but also plays a crucial role in promoting Hawaii as a visitor destination. Moreover, at times film development and production can take much longer than anticipated, and delay the time for when a decision of where to film is made. Because of the strong competition with other jurisdictions, the film tax credit may become a key economic factor for making this decision.

H.B. 1328 would extend the film tax credit for another five years, and to that degree would provide stability and predictable economic incentives for the film industry. This will allow Hawaii to remain competitive with other jurisdictions in attracting qualified productions that will generate additional revenue, jobs, and tourism marketing exposure.

H.B. 1328 further includes provisions that tightens up the process for applying for the tax credit and therefore, improves the accountability for utilizing this economic incentive. In light of the positive goals of this bill and the benefits reflected in the use of the tax credit, the ILWU would probably support an even longer extension, that would send a clear message to the industry.

The ILWU urges passage of H.B. 1328. Thank you for the opportunity to share our views on this matter.

MOTION PICTURE ASSOCIATION OF AMERICA

TESTIMONY IN SUPPORT

OF HAWAII HOUSE BILL 1328

BEFORE THE HOUSE COMMITTEE

ON ECONOMIC DEVELOPMENT & BUSINESS

Friday, February 10, 2017

State Capitol

Honolulu

The Motion Picture Association of America, Inc. (MPAA) submits this written testimony in support of Hawaii House Bill 1328. MPAA members include the leading producers and distributors of television programs and motion pictures worldwide. In addition to CBS, which as you are well aware produces the locally based Hawaii 5-0 television series, MPAA members include Disney, Fox, Paramount, NBC Universal, Sony Pictures and Warner Bros.

MPAA supports the extension of the production incentive program for five years in the legislation. In addition, MPAA also supports amendments to the existing production incentive program in HB 1328 that are intended to address the concerns raised by the legislative auditor. The proposed language requires additional local employment and vendor justification in the application as well enhanced transparency through a third party audit, which will help to substantiate the validity of the claimed tax credits. We recognize that tax credits are an incentive to draw productions to the state. The industry recognizes that appropriate and reasonable evaluation will help maintain the integrity of the program for the long term. These new requirements can continue to demonstrate the value and contributions that television and motion picture production brings to the state and its economy.

Extending the production incentive program, provides enhanced stability and predictability for motion picture and television producers who want to bring projects to Hawaii. This, in turn, extends Hawaii's economic reach into the world. Both the state and the industry will benefit.

Today, cost is the single most important factor for a producer in determining where a project will be located. Hawaii competes, successfully against other states, as well as nations worldwide, in attracting its share of motion picture and television productions.

The vision of the Hawaii legislature to create jobs and stimulate the economy is being realized by attracting Hawaii 5-0 and sustaining the production, which is now in its seventh season. The series currently employs 300 cast and crew members and about 250 local background performers per episode. In addition, Hawaii has been the location recently for *Jurassic World*, *Aloha*, *Godzilla* and *The Hunger Games*. NBCUniversal will soon begin production of a sequel to *Jurassic World*. The major motion picture production will employ scores of Hawaii residents and spend millions of dollars into the state economy with small businesses that provide goods and services.

Hawaii House Bill 1328 enhances that stability and paves the way for 5-0 in future years upon renewal, as well as, potentially, new television series and motion picture productions.

In addition to stimulating the economy, which is estimated to be $400 million total spend over the past five years, and this year will be an additional $87 million dollars, Hawaii 5-0 has been a Hawaiian showcase that has also stimulated tourism to the islands from visitors around the world. 5-0 is not only popular in the US, it has found enormous audiences worldwide.

Mister Chairman and members of the committee, we urge you to approve House Bill 1328. On behalf of MPAA and our member company studios and television companies, we look forward to the continuation of a long and successful partnership with Hawaii, and being part of your welcoming and dynamic community for years to come.

House of Representatives
The Twenty-Ninth Legislature
Regular Session of 2017

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Rep. Mark M. Nakashima, Chair
Rep. Jarrett Keohokalole, Vice Chair

RE: HB 1328 RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT

Date: Friday, February 10, 2017
Time: 9:00 AM
Conference Room 309
State Capitol, 415 South Beretania Street, Honolulu, HI

February 8, 2017

From: Roy Tjioe and Ricardo Galindez
Island Film Group
POB 3261
Honolulu, HI 96801
Ph: 808-536-7955

Aloha Chair Nakashima, Vice Chair Keohokalole and Members of the Committee,

We support HB 1328, which seeks to extend the sunset date Motion Picture, Digital Media, and Film Production Income Tax Credit and make other changes to the law, with the following suggestions and comments.

We have been working in Hawaii's film and television industry since 2001, starting as attorneys at the Hawaii law firm of Goodsill Anderson Quinn & Stifel where we represented local, independent and studio clients alike (including the hit ABC series "Lost" and the Fox series "North Shore"). Since our formation of Island Film Group in 2007, we have been working full-time as producers of feature films such as "Princess Kaiulani" and "Soul Surfer", network and cable television movies and series such as "Beyond the Break" for the N Network, as well as local, national and international commercial productions.

The extension of the sunset date of the Tax Credit legislation is critical to the

continued growth of our local film and television industry.

As a producer of film and television programs in Hawaii, the Motion Picture, Digital Media, and Film Production Income Tax Credit ("Tax Credit") has been a critical piece of the financing of these projects, which resulted in hundreds of high-paying jobs for our residents and millions of dollars of expenditures in the local economy.

As a production services company, the Tax Credit has been instrumental in convincing mainland and foreign production companies to bring their projects (film, television and commercial) to Hawaii, again resulting in hundreds of high-paying jobs for our residents and millions of dollars of expenditures in the local economy.

This increased level of film and television production has allowed local vendors to build and improve facilities, purchase additional equipment for use in productions, and to hire additional personnel.

A verification review would be helpful, provided that the procedures proscribed by DBEDT do not amount to a full audit or require the issuance of an opinion letter, either of which would be cost prohibitive and, in effect, reduce the incentive.

As a company, we have prepared and/or filed more than 75 tax credit applications over the last ten years and we are intimately familiar with the process and its shortcomings. Over the years we have had meetings with the Film Office, the Department of Taxation, and several prominent accountants to determine a workable, cost effective approach to the review and certification of the tax credit. In these meetings, it became clear that the challenge was to create the right balance of scrutiny and cost.

A producer will always choose to provide an end credit unless there is a clear financial reason to enter into an alternative marketing opportunity (in which case they should do both).

With regard to end-credits, a number of states require color end-credit logos (New York City, Georgia, etc.) that are instantly recognizable and much more effective than a text end-credit.

Me ke aloha,

Roy Tjioe and Ricardo Galindez
Co-Founders
Island Film Group
Honolulu, Hawaii

CBS CORPORATION STATEMENT IN SUPPORT

OF HAWAII HOUSE BILL 1328

BEFORE THE HOUSE COMMITTEE

ON ECONOMIC DEVELOPMENT & BUSINESS

Friday, February 10, 2017

State Capitol

Honolulu

CBS Corporation produces, broadcasts, and distributes worldwide the popular television series *Hawaii 5-0*, now in its seventh year here in the Aloha State.

On behalf of CBS, the cast, and crew members, we enthusiastically support House Bill 1328. This legislation will extend the production tax incentive program for five years.

By extending the program, the legislature will create further stability and predictability to one of the most successful and competitive incentive programs in the United States, as well as worldwide.

Amendments to the existing production incentive program in HB 1328 are intended to address the concerns raised by the legislative auditor. The proposed language requires additional local employment and vendor justification in the application, as well as enhanced transparency through a third party audit, which will help to substantiate the validity of the claimed tax credits. These new requirements will continue to demonstrate the value and contributions that television and motion picture production brings to the state and its economy.

Cost, as well as production incentive program stability and longevity, is one of the important factors in determining where a television series will be produced. The vision of the Hawaii legislature to create jobs and stimulate the economy has been realized by attracting *Hawaii 5-0* and sustaining its production for the past seven seasons. This series currently employs 300 cast and crew members and about 250 local background performers per episode.

HB 1328 enhances the stability for *5-0,* as well as any new potential television series. In stimulating the local economy, CBS spent an estimated $487 million over the past six years and there will be an additional $87 million dollars spent this year.

Hawaii 5-0 has been a Hawaiian showcase that has promoted tourism for the islands from visitors everywhere because it is not only popular in the United States, but it has found an enormous audience worldwide. Last March, *Hawaii 5-0* was honored by the School of Travel and Industry Management for its contribution to Hawaii's tourism and for bringing the culture and beautiful landscape to television sets across the world.

We look forward to our ongoing partnership with Hawaii, and continuing to be a member of the Hawaiian community.

UNIVERSITY of HAWAI'I® MĀNOA

Academy for Creative Media

February 8, 2017

The House of Representatives
The Twenty-Ninth Legislature
Regular Session of 2017

Committee on Economic Development and Business
Representative Mark M. Nakashima, Chair
Representative Jarrett Keohokalole, Vice Chair

RE: HB – 1328 RELATING TO THE FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT
Date: FRIDAY, February 10, 2017
Time: 9:00 AM
Conference Room 309
State Capitol, 415 South Beretania Street, Honolulu, HI

Aloha Chair Nakashima, Vice Chair Keohokalole, and members of the committee,

I strongly support HB1328 to extend the tax credit in Hawaii. Hawaii already offers a smaller tax credit than many other comparable locals who we compete with for business. With locations such as the Dominican Republic, Malaysia, Fiji and Puerto Rico offering incentives that are more generous than our own, Hawaii stands to loose big if we do not stay competitive. Productions such as Tropic Thunder, Indiana Jones, Pirates of The Caribbean, Battleship, The Descendents, King Kong, Jumanji, LOST, and Hawaii Five-O all came here BECAUSE OF OUR TAX INCENTIVE. If we do not continue to offer this tax credit, our local entertainment industry will suffer dramatically.

Please support HB1328.

Sincerely,

Joel Moffett
Associate Professor
Academy for Creative Media
University of Hawaii, Manoa

2550 Campus Road, Crawford 210
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An Equal Opportunity/Affirmative Action Institution

House of Representatives
The Twenty-Ninth Legislature
Regular Session of 2017

Committee on Economic Development and Business
Rep. Mark M. Nakashima, Chair
Rep. Jarrett Keohokalole, Vice Chair

RE: HB –1328 RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT
Date: Friday, February 10, 2017, Time: 9:00 AM
Conference Room 309
State Capitol, 415 South Beretania Street, Honolulu, HI

From: Anne Misawa
Via: 2550 Campus Rd., Crawford 210, Honolulu, HI 96822
Office: 808-956-7736
Email: amisawa@hawaii.edu

Feb. 8, 2017

Aloha Chair Nakashima, Vice Chair Keohokalole and Members of the Committee,

I support HB 1328 that would extend the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit to January 1, 2024. The current sunset date will discourage productions from planning to anchor or continue here.

I have taught digital cinema at the Academy for Creative Media at the University of Hawaiʻi Mānoa ("ACM UHM") since 2004, and as an industry professional for over 18 years, I have also worked with many of the film industry professionals and organizations here and abroad and have witnessed the growth of Hawaiʻi's film and TV industry.

As we are housed in close proximity to the O'ahu urban core, our ACM UHM students have direct access to TV (LOST, HAWAII 5-0), feature film (such as THE DESCENDANTS), production and equipment company internships that ready them to interface professionally. Our HAWAII 5-0 internship program saw over the years near 100 student interns learn in both the production office and on set. Many of the students, when they graduated, were hired by the show. This has happened on the majority of internship programs we have had. If the tax credit is not extended, it will have a disastrous effect, not only on the local industry and crew, but also on the next generation of this hopeful industry who need a steady flow of film and TV employment.

We all aim for the future film, TV, and creative media industry here to be a viable and thriving one. This bill can assist to pave the way for that future. Thank you for the opportunity to comment on this bill.

Me ke aloha, Anne Misawa
Associate Professor, ACM Mānoa, UHM
Producer, Director, Cinematographer

LATE

DATE: Friday, February 10, 2017
TIME: 9:00 AM
PLACE: Conference Room 309, State Capitol, 415 South Beretania Street

To: House Committee On Economic Development & Business
Rep. Mark M. Nakashima, Chair
Rep. Jarrett Keohokalole, Vice Chair
From: Keoni Fernandez, Mākaha Studios

RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT - HB 1328

In Support

Mākaha Studios supports HB 1328 Relating To Film And Digital Media Industry Development.

We believe that extending the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit will provide stability and economic incentive predictability for the film industry - an area of economic development for which our company is training and educating youth in Waiʻanae through college internships and direct workforce development.

Mākaha Studios is a small business in Waiʻanae, Hawaiʻi, operating as a social enterprise by and for graduates of Waiʻanae High School Searider Productions' digital media program. Our goal is to forge a pathway to success through higher education for youth in our community. The company's core operations - video production, graphic design, and photography - leverage the creativity of our staff and college interns. Through the Kauhale Youth Leadership Training Program, our interns receive monthly stipends and paid tuition to Leeward Community College to achieve Associate's Degrees and Certificates in Digital Media, while benefiting from project-based learning experiences within the creative media industries.

Mahalo piha for allowing us to share our views.

TESTIMONY OF NBC UNIVERSAL MEDIA, LLC. IN SUPPORT OF H.B. NO. 1328 RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT

DATE: Friday, February 10, 2017
TIME: 9:00 am
ROOM: 309

To: Chairman Mark Nakashima and Members of the House Committee on Economic Development and Business:

The principal purpose of this bill is to extend the qualified production tax credit from December 31, 2018 to December 31, 2024, a period of five years. The original legislation which was passed in 2013 and signed into law as Act 89, which increased the film tax credit by 5% is to sunset on January 1, 2019.

NBC Universal Media, LLC ("NBCUniversal") reconfirms its previous position that it favors an extension of at least five years to 2024 and joins other film and TV companies in supporting this bill which extends the sunset date to January 1, 2024.

The 5 year extension will enable the film industry and producers to undertake long term project planning with the assurance that the film tax credit will survive for the next seven years. The planning, development and actual production of a film and television series takes several years to develop which means an extended sunset date will foster continued production growth because of the necessary predictability and certainty for the film and media industry in Hawaii.

NBCUniversal develops, produces, broadcasts and distributes motion pictures, television programs and related content around the world. Over the last several years the Hawaii Legislature and the people of Hawaii have developed a clear consensus that the motion picture, television and related digital media industries (the "Film Industry") in

Hawaii has become an important component of a diversified economy and has had a positive financial impact on the State of Hawaii which will be strengthened significantly if Hawaii's existing incentives for the Film Industry are continued.

While Hawaii is rightly perceived as a highly desirable destination that would instinctively attract the Film Industry, the State's extension of the film incentive is critical to ensure Hawaii remains at the top of the list of production destinations and not left behind in the wake of other domestic and international jurisdictions that attract film and television production. HB 1328 will help to ensure that Hawaii remains competitive with film destinations around the globe and does so in a manner that is sustainable and rational for the long term. NBCUniversal stands ready to work with the Hawaii Legislature, the Administration and local Film Industry stakeholders to continue, improve and enhance Hawaii's film incentive program to help build a predictable, robust, stable and dynamic Film Industry in the State of Hawaii. In addition to the direct investment in the Hawaii economy created by the dozens of feature films, such as Jurassic World and television series, including Hawaii 5-0 the state is very well positioned to continue to grow visitors as a result of the global distribution of projects filmed across Hawaii. Over the past several year there is a growing body of credibly researched government endorsed or sponsored reports as well as studies undertaken by private enterprise that quantify the relationship between film and television production and tourism – known as 'film induced tourism'. For example, in Louisiana survey and research results concluded 14% of Louisiana visitors were induced to visit the state based on Louisiana films or television productions they had viewed. The impact of film induced tourism in Louisiana supported more than 22,000 jobs in the state economy. In the United Kingdom, Oxford

Economics research found that UK film and television programs are responsible for attracting 10% of all visitors to the UK according to a report prepared for the British Film Institute. In the Republic of Ireland, the Irish Film Board surveys put the number of visitors drawn to Ireland by movies and television productions filmed in Ireland at 20%. . It is reasonable to conclude a thriving film industry in Hawaii is a powerful development tool for the state's tourism industry at least on the scale of what other jurisdictions are enjoying.

In order to stimulate continued growth in production and film tourism activity, it is necessary to continue Hawaii's existing tax incentive program.

We feel that this bill will accomplish these goals.

The Film Industry also has a strong desire to hire locally and intends to continue the practice of identifying and employing Hawaii residents and to support training and opportunities for local workers.

In addition to the extension of the tax credit this bill provides for additional accountability requirements on the industry specifically relating to the heightened oversight of each production's expenditures in Hawaii in advance of receiving a film credit.

NBCUniversal is in agreement with these additional requirements to support the Hawaii economy and will enhance the stability of the film industry in the future.

Again like others in the film and television industry, NBCUniversal supports this bill relating to the qualified production tax credit and advocates for extension of the sunset date.

Thank you for the opportunity to present this testimony in support of this bill.

If you have any further questions, please feel free to contact Bob Toyofuku of Advocates (808) 554-0852 or Ron Orlando of Comcast NBCUniversal (215) 823-9463.