

Honolulu, Hawaii

MAR 24 2017

RE: H.B. No. 590
H.D. 1
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 H.B. No. 590, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE CREATIVE MEDIA INDUSTRY,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish a Hawaii Creative Industries Advisory Group within the Department of Business, Economic Development, and Tourism to support the development of creative and media industries;
- (2) Repeal the Hawaii Television and Film Development Board, which has been inactive for approximately ten years, along with the grant and venture capital programs that were implemented by the board;
- (3) Rename the Hawaii television and film development special fund as the creative media and film infrastructure special fund;
- (4) Broaden the sources of revenue for the creative media and film infrastructure special fund;



- (5) Amend the purposes for which the creative media and film infrastructure special fund may be used, in order to enable the Department of Business, Economic Development, and Tourism to fulfill its statutory and business development duties regarding the creative industries, film and media programs; and
- (6) Exempt certain amounts received related to improvements to and operations of the Hawaii film studio from the general excise tax and the use of certain items for the Hawaii film studio from the use tax.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the formation of the Hawaii Creative Industries Advisory Group would provide a formal mechanism to create ongoing dialogue and strategies for development of the creative and film industries in the State. Your Committee finds that a special fund to capture studio rents from the Hawaii film studio and to generate revenue sources will provide a foundation to build a creative continuum of education to workforce opportunities in Hawaii. Your Committee further finds that the measure will support existing and future infrastructure development in the State's creative and film industries.

Your Committee has amended this measure by:

- (1) Changing the number of members, appointing authority, and composition of the Hawaii Creative Industries Advisory Group;
- (2) Amending the powers and duties of the Advisory Group;
- (3) Clarifying the amount of the general excise tax exemption for making improvements to and operations of the Hawaii film studio, defining the term "improvements", and requiring certification of the exemption;



- (4) Clarifying that payment of a processing fee is required to receive the motion picture, digital media, and film production income tax credit;
- (5) Clarifying the amount of the use tax exemption for the use of material, parts, or tools imported or purchased and used for improvements to or operations of the Hawaii film studio and requiring certification of the exemption;
- (6) Adding an annual reporting requirement for the University of Hawaii and Department of Business, Economic Development, and Tourism on evidence of the contributions to the University's workforce development efforts;
- (7) Applying the general excise and use tax exemptions to taxable periods beginning after December 31, 2017; and
- (8) 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 H.B. No. 590, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 590, H.D. 1, 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



