

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF TAXATION**

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To: The Honorable Cindy Evans, Chair
and Members of the House Committee on Economic Development & Business

Date: Friday, January 26, 2018
Time: 10:00 A.M.
Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, 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 (DBEDT) on H.B. 1328, and provides the following comments for your consideration.

H.B. 1328, a carryover measure from the 2017 Legislative Session, 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, the Department notes that Act 143, Session Laws of Hawaii 2017 (Act 143), amended Hawaii Revised Statutes (HRS) section 235-17 (statutory authority for the film credit). Thus, H.B. 1328 amends the old version of the law. Act 143 applies to taxable years beginning after December 31, 2018 and amended the film credit by:

- Extending the sunset date of the film credit from January 1, 2019 to January 1, 2026;
- Adding a requirement to provide evidence when claiming products or services acquired outside of the State that reasonable efforts were made to secure and use comparable products or services within the State;
- Limiting the total film credit to \$35 million per year, provided that if the total amount of credits applied for in any year exceeds the aggregate amount, the excess will be treated as having been applied for in the subsequent year and must be claimed in such year. No excess film credit can be claimed after December 31, 2025;
- Requiring all qualified production companies to obtain a verification review by a qualified certified public accountant (CPA) using procedures prescribed by DBEDT to be submitted with the statement of qualified production costs beginning January 1, 2019 (section 235-17(h), HRS);
- Requiring each qualified production company with production expenditures of \$1 million

or more to obtain an independent third-party certification of qualified production costs eligible for the film credit in the form of a tax opinion beginning no later than January 1, 2018 (Section 6); and

- Requiring DBEDT in collaboration with the Department to submit to the Governor and Legislature an annual report on the number of jobs created in the State by the film productions receiving the film credit beginning January 1, 2018.

Second, the Department suggests resolving the conflict between section 235-17(h) and Section 6 of Act 143. Both provisions contain similar requirements for production companies to obtain an independent third-party review of qualified production costs, but the specific requirements cannot be reconciled as currently written. The Department suggests resolving this conflict by combining the separate provisions in section 235-17(h). The Committee may also want to consider allowing other professionals, such as tax attorneys, provide third-party of verification of the qualified production costs.

Thank you for the opportunity to provide comments.



January 24, 2018

To Hawaii State Legislature:

For the past 30 years I have devoted my time and career solely to Hawaii's film industry. I run a business that supports numerous local cameramen, electricians, technicians, artists, coordinators, managers - the list is endless. Hawaii's film industry touches thousands of lives in our state and it affects them for the better.

Seeing the changes over decades, I have witnessed the ways that the tax incentive has grown this facet of Hawaii's workforce and economy. I urge you to vote to extend the film tax credit. In our current socioeconomic and political climate, it is the decisions that support the people, support the workforce, and encourage growth and sustainability for our local professionals that are most critical.

Thank You,

Bill Maheras

Sight & Sound Studios, LLC

66 Queen Street, Suite 1705

Honolulu, HI 96813

ofc. 808-599-7600

FAX 808-599-7601

cell 808-754-0080

E-mail: bill@sightandsoundhawaii.com

click to our website: <http://www.sightandsoundhawaii.com>

CREATIVE DIRECTION & PRODUCTION COORDINATION
FILM / VIDEO EQUIPMENT & CREWS
LIGHTING / GRIP EQUIPMENT, TRUCKS & CREWS
NON-LINEAR EDITING & GRAPHICS

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: NAKASHIMA

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. Overall, the bill needs to be compared against Act 143, SLH 2017, which is currently not reflected in the bill's current text.

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 143, SLH 2017, extended the sunset date of the motion picture, television, and digital media production credit until 1/1/2026, and made other changes that are not reflected in this bill.

Some of the amendments sought by this bill have been addressed in Act 143, SLH 2017. The bill's current version is not properly drafted and needs to make clear what changes to the law as amended by Act 143 are now sought.

Digested 1/23/2018



Local 665
HAWAII'S TECHNICIANS
for
FILM, TELEVISION, STAGE AND PROJECTION
Since 1937

INTERNATIONAL ALLIANCE OF THEATRICAL STAGE EMPLOYEES, MOVING PICTURE TECHNICIANS, ARTISTS AND ALLIED CRAFTS
OF THE UNITED STATES, ITS TERRITORIES AND CANADA, AFL-CIO, CLC

The House of Representatives
The Twenty-Ninth Legislature
Regular Session of 2018

Committee on Economic Development & Business
Rep. Cindy Evans, Chair
Rep. Jarrett Keohokalole, Vice Chair

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

DATE: Friday, January 26, 2018
TIME: 10:00am
PLACE: Conference Room 309
State Capitol, 415 South Beretania Street, Honolulu HI

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

Mahalo for the opportunity to testify on this measure. We are the film technicians who work behind the camera on film sets throughout the State. We appreciate your commitment to supporting, growing and sustaining filmwork in Hawaii. Our industry employs an average of 2,650 Hawaii residents every year, supports many small businesses and generates over \$300 million a year in our State¹. Our tax credit, without the ceiling, has consistently brought films to our shores. In 2017, film production helped local businesses produce \$465 million in sales, created \$107 million in household income and generated \$29 million in tax revenue – far outweighing any negative economic impact to the State².

The 2017 passage of Act 143 saw the extension of the Motion Picture, Digital Media, and Film Production Tax Credit to 2026. The members and working families of the industry greatly appreciate the Legislature's support.

Your continued involvement is critical. Please consider the following amendments:

- Eliminating the tax ceiling or significantly raising it to \$75 million for the Film and Digital Media Tax Credit. In 2017, production companies spent \$268.6 million and claimed \$55 million in tax rebates - \$20 million more than the ceiling³.

¹ Research and Economic Analysis Division (READ)/DBEDT

² Hawaii Film Office/CID/DBEDT

³ Hawaii Film Office/CID/DBEDT

- Adding an accounting position to the Creative Industries Division to manage the current film and digital media tax credit program. Any additional tracking of the tax credit will add to the duties of this position.

It is important to remember that the film tax rebate is only given after monies are spent. Those funds cycle through the economy for one to two years before a rebate is given.

The current ceiling of \$35 million, and its carryover provision, would create a cycle of diminishing returns. That will inhibit the future of our industry. Had we implemented the \$35 million tax ceiling in 2010, for example, we would still suffer a rollover effect today⁴:

2010: \$65.9 mil qualified rebate - \$35 mil. ceiling = \$30.9 mil rolled over
 2011: \$25.5 mil qualified rebate + \$30.9 mil from 2010 - \$35 mil = \$21.5 mil rolled over
 2012: \$37.8 mil qualified rebate + \$21.5 mil from 2011 - \$35 mil = \$24.3 mil rolled over
 2013: \$32.7 mil qualified rebate + \$24.3 mil from 2012 - \$35 mil = \$22.0 mil rolled over
 2014: \$32.5 mil qualified rebate + \$22.0 mil from 2013 - \$35 mil = \$19.5 mil rolled over
 2015: \$39.9 mil qualified rebate + \$19.5 mil from 2014 - \$35 mil = \$24.4 mil rolled over
 2016: \$43.5 mil qualified rebate + \$24.4 mil from 2015 - \$35 mil = \$32.9 mil rolled over
 2017: \$53.7 mil qualified rebate + \$32.9 mil from 2016 - \$35 mil = \$51.6 mil rolled over

Having the “rollover” could max out the ceiling every year which would discourage shows from coming here, especially long-running shows like “Hawaii Five-O,” and small production companies would suffer severe hardship while they wait for their rebate, possibly for years.

Raising the ceiling to \$75 million might still be too low. For example, New Orleans implemented a \$180 million ceiling to their tax credit in 2015 which immediately caused their \$1.2 billion dollar film industry to fall by more than 75%⁵. Production companies were unsure of when they would receive their rebate, and work went to neighboring Atlanta, GA, that does not have a cap or to Canada. As of June 2017, New Orleans still had a backlog of \$200 million of uncashed tax credits⁶. Even with a very high ceiling, film projects left New Orleans. Just the perception of a limitation on a return on their investment was enough to turn production companies away. Removing the ceiling is the only remedy for this perception.

Unlike New Orleans, the remote location of our State makes it logistically difficult and expensive for companies to get here. We compete with Florida, Australia, Mexico and other tropical locations for film projects. A tax credit with a ceiling makes us less competitive, and companies will film elsewhere.

TV programs and films have given us immeasurable global marketing through blockbuster theater releases, product partnerships, movie tours, and has caused travelers to choose Hawai'i over other travel destinations. We want to continue this economic growth and have Hawai'i seen as a film-friendly locale.

⁴ Research and Economic Analysis Division (READ) Data Book

⁵ The Advocate, April 3, 2016

⁶ The Advocate, April 10, 2017

The tax credit is an incentive that supports the growth of the film and digital media industry. It is a commitment to enhance the diversity of our state's economic landscape. We respectfully ask for this committee's support. By eliminating or substantially raising the ceiling, we will continue to attract films to our community that will provide jobs, help Hawai'i's working families and support businesses who benefit from these projects.

On behalf of the 545 men and women of IATSE Local 665 and the many others you may know who benefit from Hawai'i's vibrant film industry, we thank you for your time and careful consideration of our requests.

Respectfully,

A handwritten signature in cursive script, appearing to read "Irish Barber".

Irish Barber
Business Representative

HB-1328

Submitted on: 1/24/2018 11:49:40 PM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments:

**PRESENTATION OF THE
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES
DEMOCRATIC PARTY OF HAWAII
TO THE COMMITTEE OF ECONOMIC DEVELOPMENT & BUSINESS
HOUSE OF REPRESENTATIVES
TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2018
Friday, January 26, 2018
10:00 a.m.
Hawaii State Capitol, Conference Room 309**

RE: Testimony in Support of HB 1328, RELATING TO FILM AND DIGITAL MEDIA INDUSTRY

To the Honorable Cindy Evans, Chair; the Honorable Jarrett Keohokalole, Vice-Chair and Members of the Committee on Economic Development and Business:

Good morning, my name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on House Bill No. 1328, relating to the film and digital media industry. The OCC Legislative Priorities Committee is in favor of House Bill No. 1328 and support its passage.

House Bill No. 1328, is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it promotes economic development and reform. Specifically,

“[a] diversified and healthy economy in Hawai‘i requires a well-educated and healthy citizenry. To encourage existing and new enterprise, we need to develop a combination of tax policies and credits, lending programs and financial incentives that will attract the business community. . . . Our community is enriched by the encouragement of visual, musical, dramatic and cinematic arts and diverse cultural activities that communicate both a regional and universal vision. Through multi-cultural and multi-generational participation in the arts, we strengthen our ‘ohana, promote tolerance, and add vitality to the economy through cultural tourism. To this end, we support sufficient public funding for the arts, individual artists, arts and cultural organizations, and educational enterprises. Such activities provide a definite public good for all of our citizens and for our community that is not available through private efforts alone.” (DPH Platform, Lines 38-40, 398-404 (2016)).

Given that House Bill No. 1328 extends the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit from January 1, 2019 to January 1, 2024, which provides continued stability and economic incentive predictability for the film industry, it is the position of the OCC Legislative Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ **Melodie Aduja**

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: legislativepriorities@gmail.com, Tel.: (808) 258-8889

HB-1328

Submitted on: 1/25/2018 6:31:02 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
marie noelle	IATSE 665 / Costumer - Wardrobe	Support	No

Comments:

We have heard of many production that where considering Hawaii and ended up filming else where because they where not getting an equally advantageous tax credit. It's heart breaking when we hear this. Even loosing one or two features a year has such an impact on our employment opotunities and Hawaii's economy as a whole. Please remove the ceiling so next time they set their minds on Hawaii they really do come and film here! Thank-you!

Marie Noelle / Set Costumer / Wardrobe assistant

IATSE 665

HB-1328

Submitted on: 1/25/2018 8:01:22 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark Ching		Support	No

Comments:

Please consider extending HB1328 and raising or releasing the \$35mil cap, as a resident of Hawai'i , it has been deffinielty tough to keep up, as a local IATSE 665 member our State needs to be more liberal in incentivising the movie/entertainment industry on working in our islands providing jobs & futures for our local residents as well as boosting overall economy/tourism and market the land that we cherish.. thank you for your consideration,

Mark C. L. Ching - Graphic Designer - IATSE 665 Member

HB-1328

Submitted on: 1/25/2018 9:12:46 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
laine rykes		Support	No

Comments:

My name is Laine Rykes, as a Local 665 member for over 25+ years. I have prospered and managed to feed and clothe not only myself but assist my family. Each paycheck I receive passes through multiple hands from restaurants, retail stores, banks, schools and etc...so i write with much concern regarding a tax cap which I feel is a mistake. Film productions are fickle, there are other beautiful tropical places and Hawaii takes for granted that productions will pay to shoot here. Film industry is a buisness, easily swayed by saving money. Atlanta is a good example, they lost a tremendous amount to tNew Orleans when they did what Hawaii is proposing to do.

The film buisness has given the Hawaii soo much advertising and has painted a beautiful romantic picture that beckons tourist to flock to the islands....Ku'uloa Ranch, Hawaiian Airlines, Ala Moana shopping center, Kailua town, Haleiwa Town, Hanauma Bay, Waimea Falls Park....all of these business wold not be where there are today if not for tourist. Every tourist knows, "Magnum PI" or "Hawaii 5-0" and yet our own goverment denies us the credit we deserve! Please kill this tax cap!

Laine Rykes

1/25/18



MOTION PICTURE ASSOCIATION OF AMERICA

TESTIMONY IN SUPPORT

OF HAWAII HOUSE BILL 1328

BEFORE THE HOUSE COMMITTEE

ON ECONOMIC DEVELOPMENT & BUSINESS

Friday, January 26, 2018

State Capitol

Honolulu

The Motion Picture Association of America, Inc. (MPAA) submits this written testimony in support of the goals and objectives 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 Walt Disney Studios Motion Pictures, Twenty-First Century Fox, Paramount Pictures, NBC Universal, Sony Pictures Entertainment and Warner Bros.

MPAA and its members applaud the Hawaii Legislature for passing and the Governor signing into law a bill that extends the production tax incentive program for seven years during the 2017 legislative session.

MPAA understands the purpose of HB 1328 is to extend the incentive program and explore restoring it as a permanent economic development policy for Hawaii.

Extending or making permanent the production tax 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 eighth 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*, *Jumanji*, *Godzilla* and *The Hunger Games*. Universal Studios recently complete the production of the sequel to *Jurassic World*. This major motion picture production employed 1,289 Hawaii residents and contributed \$31,620,494 to the state economy through spending on Hawaii businesses that provide goods and services.

Hawaii Senate Bill 1328 has the potential to enhance that stability and paves the way for Hawaii 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. Hawaii 5-0 is not only popular in the US, it has found enormous audiences worldwide.

Chairperson Evans 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.

HB-1328

Submitted on: 1/25/2018 9:33:44 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Thomas Visser		Support	No

Comments:

As a member of the local Hawaii film production community, I have seen firsthand the benefits that convincing mainland productions to operate in the state has had to both my family and the community in general. Production not only brings jobs, a direct payroll benefit, but also trickle down economic benefits, as they fill hotels with people, hire local vendors to transport, feed, and supply the production. Any cost in tax credit toward a production is rewarded multi-fold as they infuse the local economy with their business activity. The reality of the tax credit incentives is that without incentives, productions must look at the bottom line and take their business elsewhere, which means a net loss for the state of Hawaii and the people who live here, even if they are not directly involved in the film community themselves.

Sincerley,

Tom Visser

Production Sound Mixer

HB-1328

Submitted on: 1/25/2018 9:39:32 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
jason l		Support	No

Comments:

I believe the tax credit should be raised significantly to attract more major projects to the islands. The more projects the more people work and more money spent within the state. It is good for the economy and tourism as film shows the beauty of Hawaii. I have personally seen that the tax credit has brought more work and opportunities in the film industry and think that it should continue and be expanded upon to attract more projects. Without the incentives producers will take their projects to wherever they offer the most we should be the ones that offer the most.

HB-1328

Submitted on: 1/25/2018 9:40:17 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Augustine Downes		Support	Yes

Comments:

I strongly urge our representatives to not only vote YES on HB1328, but to eliminate the \$35 million cap on the production tax credits.

I am a Punahou graduate who went to NYU, where I earned a bachelor's degree in Film/TV Production. I worked as a production assistant in NYC until my mother passed away in 2011. I spent the first few years back home working odd jobs, trying to get in, but there wasn't enough work, and I was about to move away. When Kong, Skull Island arrived, I had the opportunity to work. Now, I've been able to stay here. I help my father fix his house, check in on grandma as she recovers from a back injury, help friends take scrap to the dump, all the things people do when they have roots in a community. My story is not unique, either. Hundreds of people are able to pay their mortgages and send their kids to school when a movie comes into town.

Please support this bill, and please eliminate the \$35 million cap. Thank you for your time.

Augustine Downes



January 25, 2018

Committee on Economic Development & Business
Rep. Cindy Evans, Chair
Rep. Jarrett Keohokalole, Vice Chair

The House of Representatives
The Twenty-Ninth Legislature
Regular Session of 2018

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

DATE: Friday, January 26, 2018
TIME: 10:00am
PLACE: Conference Room 309
State Capitol 415 South Beretania Street, Honolulu HI

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

Thank you for the opportunity to testify on this measure. SAG-AFTRA represents approximately 1100 actors, recording artists, and media professionals in our state.

The Film and Digital Media industry currently employs thousands of Hawaii residents, and generates, on average, an estimated **\$380 million** a year in our state.¹ Recent figures estimate **\$29 million** taxes, **\$465 million** sales, and **\$107 million** household income generated.²

The 2017 passage of Act 143 saw the extension of the Motion Picture, Digital Media, and Film Production tax credit to 2026. The members of the industry and their families appreciate the Legislature's support.

Your continued involvement is critical; please consider the following amendments:

- Remove the ceiling for the Film and Digital Media tax credit or raise it to \$75 million; and
- Add an accounting position to the Creative Industries Division to manage the current film and digital media tax credit program.

The current ceiling of \$35 million and its carryover provision, would effectively create a cycle of diminishing returns that will severely inhibit our industry. We need only to look to other states to see the negative effects of such a ceiling.³

This tax credit is an investment in the diversity of our state's economic landscape. We thank you for your time and consideration, and ask for this committee's support.

Respectfully,

Mericia Palma Elmore, Executive Director SAG-AFTRA Hawaii Local

¹ Hawaii Film Office/CID/DBEDT

² Id.

³ Please see http://www.theadvocate.com/baton_rouge/news/politics/article_06a9d62c-1e0a-11e7-9638-eb1f201cdb6f.html Last accessed 7:17am, January 25, 2018

Testimony of Walea Constantinou,
Film Commissioner, Honolulu Film Office
City and County of Honolulu

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

January 26, 2018
10:00 am
State Capitol, Conference Room 309

RE: HB1328 RELATING TO FILM AND DIGITAL MEDIA INDUSTRY

Dear Chair Evans, Vice Chair Keohokalole and members of the committee:

The Honolulu Film Office would like to thank the legislature for its long-standing support of Hawaii's film industry. Working together we have been able to grow this important sector into a strong, vibrant and vital component of Hawaii's diversified economy.

The turning point for the industry was in 2006 when the legislature passed the Hawaii Production Tax Credit. Prior to that date, we were not able to achieve the direct expenditures of a \$100 million per calendar year spend goal. Since the rebate, over \$3.8 billion in economic output has been generated (DBEDT databook, 2006-2015). After 2006, routinely the direct spend has been in excess of \$200 - \$250 million. By all accounts the Hawaii Production Tax Credit is a successful program that, through measured slow growth is achieving the goal of becoming a \$300 - \$500 million a year industry.

The extension of the sunset date last session was critical to the longevity of the program. The film industry greatly appreciates that actions that the legislature took last session to extend the credit. However, an inclusion of an overall rebate ceiling was added which, after careful DBEDT and industry analysis, shows that the ceiling will be a strong hinderance to the growth and stability of the industry. It will not only slow growth but has the real potential to upend the upward trajectory and cause significant loss of business. One major project such as a *Jurassic World* or *Kong: Skull Island* can create an influx of \$50 - \$75 of immediate spending in the community and yield benefits for years to come.

Business certainly is one of the key elements to the success of the program and the ceiling eliminates that, even with a carry forward. The carry forward, which many thought would address the issue, will not. Presumably we all want the industry to stay at the same level that it is now, or grow. Estimating that the 2017 direct spend is \$270 million and that the rebate is \$50 million, the ceiling will be exceeded each year and will be in a complete deficit situation three to four years later. For a television series that plans for at least a five year window, the situation this creates is untenable. For a feature film that has a three to five year planning cycle it is untenable. For smaller independent projects the situation is untenable. A negative like that in this industry a flashing billboard that screams uncertainty.

The credit would be maxed out if we had two television series and one large feature film. In 2017 an estimated 50 different projects submitted applications. If the same occurs in 2019, 47 other projects would have to be denied or be willing to carry forward, providing that their situation would allow them to do so. We don't believe that the legislature intended to create a disruption to over 90 percent of the applicants so respectfully, we are requesting an amendment to strike the recent inclusion of the ceiling.

There are controls built into the existing framework of the credit, namely a per production cap and the self-limiting nature of the current Hawaii market. Based on its size, the scope of what our market can accommodate and the number of projects that could possibly film in Hawaii, what sounds open-ended is actually fairly controlled. With these controls the credit has been an accountable, viable and responsible program for many years and contributed significantly to economy for the greater good of Hawaii. One component of that contribution is that it strongly supports our #1 industry, tourism, with thousands of room nights and immeasurable advertising value and opportunities. (examples attached of current activity by HTA surrounding *Jumanji*) Beyond that it creates real living wage jobs.

A new study by the respected UK-based firm Olsberg SPI that specializes in economic research in the screen industries revealed that a successful film sector's 'economic benefits extend beyond the normal multiplier impacts' because it drives a significant amount of activity in other creative industry sectors, between 38 percent for film and 47 percent for television. ***They call this the ripple effect and underscore that the activity is catalytic and a foundational element for growth for other parts of the creative economy.***

We respectfully request an amendment to Act 143 and request that the recent addition of an overall industry ceiling be deleted so the credit is able to operate as it has done successfully since its inception.

Thank you for the opportunity to provide these comments.

Hawaii Tourism Korea and Korean Air Conduct Joint Hawaii Sweepstakes

Hawaii Tourism Korea (HTK) and Korean legacy carrier Korean Air successfully executed a joint online sweepstakes event between November 15 and December 22, celebrating the airline's increased service of two daily flights to Hawaii and highlighting Oahu as an ideal edu-tourism destination.

The promotion showcased Hawaii's cultural heritage and places on Oahu where visitors could gain knowledge of the islands, including the Bernice Pauahi Bishop Museum, Iolani Palace, Polynesian Cultural Center, Battleship Missouri Memorial and Honolulu Museum of Art.

The sweepstakes drew 3,493 participants and was advertised through Korean Air's official system, reaching more than 200,000 of its SKYPASS frequent flyer members. The promotion was also publicized on the airline's official social media channels, including Facebook, Twitter, Google Plus and Naver blog.

Hawaii Tourism Europe Hosts Private Screening of *Jumanji: Welcome to the Jungle*

Hawaii Tourism Europe (HTE) recently hosted a private screening of the new action-adventure comedy *Jumanji: Welcome to the Jungle* in London as a networking event for trade and media. Targeted top-tier product managers and travel media editors were invited to attend the event, whose goal was showcasing the many Hawaii locations in the film. HTE worked with Odeon Cinemas to secure the screening venue, food and refreshments, as well as incorporate their branding with Hawaii collateral.

Invitation: Hawai'i Tourism Europe's Private Screening of *Jumanji: Welcome to the Jungle*



Hawai'i Tourism Europe would like to invite you and a plus one to join us for a private screening of *Jumanji: Welcome to the Jungle* on Wednesday 20th December 2017.

Filmed in Hawai'i *Jumanji: Welcome to the Jungle* showcases a range of Hawaiian locations, including Kualoa Ranch and Honolulu in O'ahu, and jungle scenes in Hilo, Island of Hawai'i.

Where: ODEON Haymarket - 11/18 Panton St, London SW1Y 4DP

When: Wednesday 20th December 2017

Time: 6:30pm arrival with screening at 7pm

RSVP: Alex Perez, alexp@hillsbalfour.com

HAWAII TOURISM

EUROPE

FROM:



Jumanji Movie Premiere with Sony Pictures and Hawaiian Airlines

To celebrate the release of the action-adventure comedy *Jumanji: Welcome to the Jungle*, HTK conducted a co-promotion and contest with movie distributor Sony Pictures titled #AlohaEverywhere, which generated online and offline media exposure for the Hawaiian Islands.

HTK hosted a movie premiere on December 28 for 2,000 invitees, encouraging them to post reviews of the film on their social media accounts and include designated hashtags. HTK and Sony Pictures will select contest prize winners based on who composed the best reviews of the film.

In addition, HTK launched a consumer event on social media in collaboration with Hawaiian Airlines, which sponsored flights as a prize giveaway. The event promoted Hawaii destination highlights featured in the film.

HAWAIIAN ISLANDS HAWAIIAN AIRLINES

하와이 관광청 × 하와이안항공 공동 이벤트
(쥘만지:새로운 세계) 예고편 공유하고 #하와이 가져!

하와이에서 촬영된 <쥘만지:새로운 세계> 예고편을 공유해주세요!
하와이 항공권과 영화 예매권을 선물합니다

1월 3일~1월 15일

1등
인천-호놀룰루 항공권
10명 (1명)

2등
쥘만지영화 예매권
(15명)

3등
모바일 커피 쿠폰
(30명)

HB-1328

Submitted on: 1/25/2018 9:56:25 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Crum		Support	No

Comments:

Please make all efforts to eliminate - or *greatly* raise the 35mil cap to this tax credit. Not doing so is already easy to track across the nation and Canada. Our industry and skilled labor have tangibly benefitted from past practices that need to remain supported. Some of my family - myself, my spouse and daughter - has been able to concentrate on their professions as educators because I've been keeping our bills paid by working in this industry. We have also been able to offer affordable housing with the financial support of the industry, having gathered a down payment from a television series to purchase a small property with a few rental units.

These are just a few examples of how the tax credit pays forward to our population. Every life that your decision benefits touches many more. Please help us to keep our islands on a prosperous path.

Respectfully,

Rick Crum

HB-1328

Submitted on: 1/25/2018 9:57:27 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Karen Archibald		Support	No

Comments:

Department of Business, Economic Development, and Tourism

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Friday, January 26, 2018

10:00 AM

State Capitol, Conference Room 309

Re: HB 1328 RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT.

Testimony from: Karen Archibald (IATSE local 665 member)

Report Title: Motion Picture, Digital Media, and Film Production Income Tax Credit

Description: Extends the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit to January 1, 2024. Provides stability and economic incentive predictability for the film industry.

I respectfully ask that the committee pass bill HB 1328. The extension of the media and film income tax credits are needed for the continuation of this industry in Hawaii and it's growth. Film production is a sustainable industry that not only employs hundred directly, but through the use of hotels, rent of facilities and huge amounts of spending on materials, locations, car and equipment rentals, and more, brings in millions to our state in both general excise and income taxes.

Also, the removal of a cap for the total industry is vital. The current cap will easily be used up by a single large production and there will be no incentive for further producers to consider Hawaii in lieu of other jungle locations. Such a cap proved disastrous to the film industry in Louisiana when it was instituted in 2015. Their cap (\$180 million) was five times that of the new Hawaii cap and still resulted in a 75% loss in industry revenue.

While Hawaii has much about it that is unique, it is also more expensive for producers too work here to begin with due to extra shipping and higher costs of goods, housing, etc. We hope they continue to feel those costs are worth it, but the tax incentive is a starting point to offset those costs.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
Luis P. Salaveria
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Friday, January 26, 2018
10:00 AM
State Capitol, Conference Room 309

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

Chair Evans, 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 was tabled last session, although elements thereof became law via Act 143, SLH 2017 including: 1) extending the sunset date to January 1, 2024; 2) requiring a third-party review by CPA and tax professionals for productions which spend one million dollars or more; and 3) imposing a tax credit ceiling of \$35 million per year, effective January 1, 2019.

However, DBEDT has comments on the impact of the \$35 million annual film production tax credit cap on Hawaii's film industry. While DBEDT understands the need to balance the state's financial plan in current and out years and recognizes there is a negative impact from any tax credit on the plan, the film and media industries remain a positive catalyst for job growth and have proven to generate beneficial economic impact to our citizens and our state.

In 2017, 48 productions registered and potentially will claim \$55 million in tax credits. This is based on \$268 million in estimated production expenditures, resulting in \$464 million in sales generated, \$107 million in direct household

economic impact/income generated, as well as an estimated \$29 million in tax revenue.¹

Based on this data, the credits for 2019 may exceed the cap, thus requiring the film office to certify only a portion of those registered and notifying productions on a first come, first served basis, that they will have to carry forward or “roll over” into their following taxable year or forfeit their credit. Not all companies have the ability to carry forward a credit, which may further impact smaller, local independent productions.

Imposing a tax credit ceiling also requires additional accounting personnel in the film office to manage the cap in a way that is fair to all applicants. The ceiling also may adversely impact Hawaii’s ability to attract a private sector partner to develop the new creative media / film studio complex based on the Legislature’s CIP appropriation for planning and design.

DBEDT supports the third-party verification already enacted and agrees with the Department of Taxation (DOTAX) recommendation to resolve a conflict in language in HRS 235-17 (h) and Section 6 of Act 143, as both provisions contain similar requirements. We defer to the DOTAX as to the specific language for your consideration, noting the need to allow other professionals such as tax attorneys, as well as CPA’s, to provide the third-party verification of qualified production costs.

DBEDT welcomes the opportunity to discuss the best ways to address these issues, as we review the film tax credit this session with lawmakers, film industry decision-makers, and labor unions.

Thank you for the opportunity to testify on this measure.

¹ based on Research and Economic Analysis Division calculations

Committee on Economic Development and Business

Rep. Mark M. Nakashima, Chair

Rep. Jarrett Keohokalole, Vice Chair

TESTIMONY IN SUPPORT

OF HAWAII HOUSE BILL 1328

Aloha, I urge you to pass H.B. 1328, to extend the tax credit, and continue to attract film productions to our state. These productions are vital to Hawaii, they provide needed, skilled jobs and support many small business and vendors. Local businesses produced over \$460 million in sales to film production last year. Please help keep these people out of the unemployment line. Do not let the Hawaiian Film Industry suffer as other states had, after they cut the Tax credits and installed caps on expenditures. New Orleans put a cap of \$180 million in 2015, resulting in 75% of film production leaving to areas with no cap. This would be a disaster, to the film community, in Hawaii. This bill, if not passed, would harm thousands of workers, state wide.

I have had the good fortune to make a living, & raise a family while working on projects filmed in Hawaii. It's a good, clean, industry. Please, do not put an end to it.

Mahalo

Brian Vollert

IATSE 665

HB-1328

Submitted on: 1/25/2018 10:19:29 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Guy Belegaud	Local 665 IATSE	Support	No

Comments:

HB-1328

Submitted on: 1/25/2018 10:44:46 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
W. K. Duvauchelle Jr.	IATSE #665	Support	No

Comments:

Aloha

I am half Hawaiian, born and raised in these islands. This is our home and it is a shame any time we are forced to leave because we cannot make a decent living here. The film industry allows me to stay here with my family and provide for them. These productions bring in substantial sums of money which is distributed throughout our economy. It's a clean, non-destructive, non-polluting industry that not only provides jobs but also attributes to our visitor industry; showing off the beauty of our islands through the big screen in feature films, tv shows and commercials etc.

I believe a cap of any kind will be detrimental to future projects coming here and urge you to eliminate the cap entirely, or at least raise it significantly.

Thank you for your time and consideration,

Mahalo and Aloha

Waldemar K. "Duke" Duvauchelle Jr.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Economic Development & Business
Friday, January 26, 2018, at 10:00am

by

Christopher Lee, Director, Academy for Creative Media -- System
on behalf of Vassilis L. Syrmos, Vice President for Research and Innovation
University of Hawai'i System

HB 1328 – RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT

Chair Evans, Vice Chair Keohokalole and members of the Committee:

Thank you for the opportunity to submit testimony in support of HB 1328. This bill extends the motion picture, digital media, and film production income tax credit (Act 88) sunset date to January 1, 2024. The University of Hawai'i supports Sections 1, 3, and 4 of HB 1328 and defers to the Department of Business, Economic Development, and Tourism (DBEDT) regarding Section 2.

The motion picture, television, and digital content industry has been providing our economy with environmentally friendly, living wage jobs for over a hundred years. Indeed, Hawai'i's main industry, tourism, has enjoyed an invaluable global marketing ally ever since Thomas Edison shot the first films in Honolulu in 1908. In many ways, the world has come to know Hawai'i through such shows as *Hawai'i Five-0*, *Magnum PI* and *Lost*. Since then, and especially since the tourism downturn following 9/11, Hawai'i has had a robust film and television industry, often with \$200 million a year in direct production spend, and reaching as much as \$400 million. This consistent diversification of our economy has been made possible by Hawai'i's production tax credit. While some may question the efficacy of these credits, the reality is that the studios and networks decide where to shoot films based on where the credits are being offered. For example, the State of Georgia has replaced Louisiana as the South's production powerhouse since Louisiana severely restricted its production credits.

HB 1328 provides stability and predictability for this vital local industry, recognizes the need for appropriate recognition of the state's investment in films and television shows through end credit or alternative marketing opportunities, and—most importantly for the growing number of creative media students at the University of Hawai'i—offers them the chance to stay in Hawai'i with living wage jobs.

The Academy for Creative Media -- System (ACM System) at the University of Hawai'i now supports complementary creative media programs at all ten campuses of the UH System. Accountability provisions within Act 88 for workforce development and education have begun to provide funding for the programs of the ACM System at multiple UH campuses. This is a new and much needed alternative source of funding for UH, which through the ACM System is able to facilitate and track the efficacy of these education funds. Equally important is the positive effect this funding provides for UH to develop a strong workforce for a growing industry in our state.

Thank you for your consideration on this matter.

TESTIMONY HB 1328

(Companion bill: SB 1253)

RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT

“ Motion Picture, Digital Media, and Film Production Income Tax Credit”

Extends the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit to January 1, 2024. Provides stability and economic incentive predictability for the film industry.

Committees: EDB, FN

January 25, 2018

House Committee on Economic Development & Business
Rep. Cindy Evans, Chair repEvans@capitol.hawaii.gov
Rep. Jarrett Keohokalole, Vice Chair repKeohokalole@capitol.hawaii.gov
House of Representatives, State Capitol
Honolulu, Hawaii 96813

Aloha Legislators:

My name is Mary Ann Changg and I am a proud member of I.A.T.S.E. Mixed Local 665, Hawaii’s local film and television union, working primarily as a make-up artist. It is imperative that the sunset clause for HB 1328, pertaining to the Motion Picture, Digital Media, and Film Production Income Tax Credit be extended to January 1, 2024, and beyond.

I personally believe, as many do, that besides the economic benefits that the film industry provides for those lucky enough to enjoy direct employment or residual business activities associated with the industry, our industry brings in untold tourism dollars just by having our beautiful Hawaii as a location backdrop for projects big and small. Some productions help build out infrastructure while here.

In addition, please eliminate the \$35 million ceiling for production tax credit due to take effect on January 1, 2019. It will effectively kill our industry. The amount is so extremely low, that I cannot comment further. We have lost big productions to other locales in the world such as the Caribbeans, or even Atlanta, which by the way has no ceiling. We need more projects, not less.

The initial investment of any film industry project has far reaching residual and ongoing economic benefits for the entire state of Hawaii. It is the gift that keeps giving. We must not only extend the sunset clause and eliminate the \$35 million production tax credit ceiling, but protect and improve what we already have to attract even more film industry dollars. This industry is a clean, environmentally-friendly, non-polluting industry that keeps on giving residualing, with the biggest bang per buck!

Sincerely,

Mary Ann Changg
419 Keoinana Street
Honolulu, Hawaii 96815
(808) 227-4747

HB-1328

Submitted on: 1/25/2018 12:19:47 PM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
GERARD KAMAN	IATSE 665	Support	No

Comments:

I have been working in Motion Picture, Television and Stage production my entire adult career. Going on 40 years now. Over that time the entertainment industry has supported my family, helped send my kids through college and provided employment for hundreds of Hawaiian citizens and their families also.

There is more to movies than just what is seen on set. Carpenters, designers, painters, set designers, electricians, grips, makeup, catering, production assistants, office staff and the list goes on.

Extending the tax credit for the industry is the most positive way Hawaii will attract future productions from around the globe and sell our beautiful state.

Mahalo

Gerard Kaman -IATSE Local 665

HB-1328

Submitted on: 1/25/2018 12:39:27 PM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Easter K. Logan		Support	Yes

Comments:

HB-1328

Submitted on: 1/25/2018 12:45:24 PM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Concepcion Alicino		Support	No

Comments:

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

As a member of the IATSE local 665 and the Producers Guild, I wanted to raise my concern for the proposed cap on the Hawaii Tax Credit, I can tell you first hand that when in the planning stages of any film/commercial project one of the first things one does as a producer is to look for the top 3 states that will A) Fit your script & B)Have a competitive tax credit.

The reason for that is because it is now industry standard, specially for studios to go to the states that are more adventagous to them and will go to lenghts to secure this, even if that includes re writing a script to fit said state or country.

With this said the effects of deterring any production to film elsewhere not only has the obvious negative economical repercussions for the film and video industries but also would create for Hawaii not to have a strong prescense on the big and home screens, which is crucial to our other state industries such as tourism, Furthermore, the possibility of productions filming in other states or countries to make it "feel" like Hawaii will have adverse effects in our well built reputation of Aloha.

My request is that you consider the cap removal so we can keep moving forward in building a growing, thriving and profitable industry that collaborates and builds assets to all other industries in our state.

Respectfully

Concepcion Alicino



Written Statement of
Derek Hall
Managing Director
GVS Accelerator
before the
House Committee on Economic Development & Business
Friday, January 26, 2018
10:00 a.m.
State Capitol, Conference Room 309

In consideration of
HB1328
RELATING TO THE FILM & DIGITAL MEDIA INDUSTRY DEVELOPMENT

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

The GVS Accelerator **supports** HB1328 that provides an extension of the sunset on the film production tax credit to 2024 – GVS strongly supports removing the sunset altogether and making it an open-ended credit to ensure longevity of productions to the State.

The award-winning GVS Accelerator is the only one of its kind in the entire country. It focuses on Hawaiian companies, developing Hawaiian intellectual property to tell Hawaiian stories in a commercially viable way. Our cohorts are made in Hawai'i but created for the world.

The GVS Accelerator was founded in 2014 as a public/private partnership between the State of Hawai'i, the County of Hawai'i and private investors. Since then we have become one of the entertainment hubs for the State and are home to 18 resident companies, over 30 freelancers and have accelerated 12 companies to date, with another 3-4 companies about to be announced. We have a fulltime staff of 5 with over 100 contractors engaged each year on the neighbor island of Hawai'i.

Currently, the initial State investment has seen more than an indirect 200% return as these cohort companies bring millions of non-Hawaiian dollars to the State. Our most recent project, JO, THE MEDICINE RUNNER had a local economic impact of \$2.5 million to the local economy, created 75 jobs and supported over 800 other local vendors. Creative Industry metrics show that .40 cents to every dollar on a film project goes directly into the pocket of Hawaiian families.

The GVS Accelerator has won awards at the County, State and Federal levels, including being a three-time recipient of the Small Business Administration's Accelerator Growth Award – GVS is only one of four in the entire nation to be bestowed that honor.



Should the tax incentive not be extended, an entire industry is in jeopardy on the neighboring island of Hawai'i and significant innovation will be lost. In the last year alone, more than 300 students have passed through the Accelerator's doors for various workshops, internships and mentorships – inspiring the upcoming generation to think about an alternative industry to work in. These students range from middle schoolers to graduate students. One of the critical services that GVS can provide is vocational on-the-job training that helps to reverse the brain-drain.

In addition to an extension of the sunset – or, even better, lifting the end date entirely – GVS would like to see the yearly cap increased or removed to ensure local productions are able to compete with the larger mainstream productions coming to the State.

The Hawaii tax incentive is paramount for the film industry in the State of Hawaii. Without it, the industry will effectively vanish. Films and productions take years to develop and bring to fruition – should the sunset date be too close, then Hawaii is no longer a viable option for production. Please extend the sunset date – or remove it altogether to ensure this industry can thrive.

Thank you for the opportunity to offer these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Derek Hall". The signature is stylized and cursive.

Derek Hall
Managing Director
GVS Accelerator | Honua Studios | GVS Connect
+1-808-339-7553

HB-1328

Submitted on: 1/25/2018 1:51:26 PM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joelle-Lyn Sarte		Support	No

Comments:

My name is Joelle Sarte and I am a proud member of the IATSE Local 665. I fully support any bill that encourages the film industry to shoot in the state of Hawaii as my livelihood and that of many others depend on this industry. Having said that, I do not support the \$35 million dollar ceiling for it will dissuade film companies from filming in Hawaii. I feel this ceiling should be significantly raised or emiliated completely, the latter being the favored choice.

I am the breadwinner in my household and this \$35 million dollar ceiling will negatively affect my family. Because of this industry, I am able to make a livable wage and pay for me and my family's housing, food, health care and many other essential expenses. I am also hoping to become a homeowner within the next year and I will not be able to fulfill this goal if I am unemployed because companies' decide not to film in Hawaii due to this monetary ceiling. In addition to providing jobs for many local people in Hawaii, the industry bolsters the business of many local companies. I have spent millions of dollars at local companies that have in turn helped those companies' employees provide for and support their own families.

Therefore, I am against the \$35 million dollar ceiling since it will end the film industry in Hawaii just as a similar ceiling has ended the film industry in New Orleans. Thousands of local people's livelihoods rely on the film industry in Hawaii and we must do everything we can to encourage companies to continue to film their projects here.

keohokalole2 - Kaila

From: Barber Irish <alohairish@iatse665.org>
Sent: Thursday, January 25, 2018 1:19 PM
To: keohokalole2 - Kaila
Subject: Fwd: Shane White Testimony

Aloha, Vice Chair Keohokalole!

Shane White is currently working, but I'd like to forward his mana'o onto the Committee regarding HB 1328 that will be heard on Friday, 1/27/18, at 10:00AM in Room 308. His testimony is as follows:

Begin forwarded message:

To: Barber Irish <alohairish@iatse665.org>
Subject: Shane White Testimony

Aloha.,

I rely on the TV/Film industry. I've been in this industry for more than 20 years and have experienced many changes through the years. Some good some not so good, weather its policies or technical, each has been prominent in my career experience .

I have lived in the state/kingdom of Hawaii for over 29 years. I am a husband and father to 2 wonderful children and we all are involved in our communities.

6 seasons of ABC's hit show LOST made it possible to be a home owner in one of the most highest priced/economical states in America. Blessed, I am currently employed by CBS on yet another hit show

Hi5-O.

I/We depend heavily on fair,equal policies that determine the choices production companies make due to financial laws/Policies.the tax credits that have. Even offered to the state has very much benefited the state & my Union brothers and sister.
Please continue to make the right choices in regards to the Tax Ceiling issues on the table NOW.

Mahalo to all that fight/negotiate for a better sustainable Tax legislation for our state.
Truly thank for for your consideration...

Shane White
Local #665

January 25, 2018

To: Hawaii State Legislature

RE: Regarding the Tax Credit(s) toward the Motion Picture and Television Industry,

Aloha, my name is Archie Mclaine Ahuna Jr, I go by Mclaine to most of my friends and family. I have been around the Motion Picture and Television Industry my entire life. My grandfather Joseph Ahuna was the first to work in the industry and was one of the founding fathers of IATSE Local 665. My Father Archie Ahuna Sr is still active in the Movie and Television industry today and was fortunate on winning an Emmy award for his work on ABC's Lost. As for me, I have been working in the industry since I was 19 years old. I'm 43 now and still enjoy the working opportunities that cross our shores.

I have experience times where our industry struggled, some of our members moved to the mainland to find work, others had to stop doing what they loved to do and move on to other occupations just to survive in this difficult yet beautiful place to live and call home. When the tax credits were introduced in the 1990's the state found a new life with a flurry of Motion Pictures and Television programs flocking to our home. Because of the influx of movies and television shows our family has been able to establish a nest egg to help us maintain a sustainable future living in hawaii.

As for me I have been blessed personally to build our nest egg to the extent of purchasing our first home. A feat that I at one time did not think was possible. With all the shows that have come and gone and are still here today I have been very fortunate that the state has such a beneficial program in place.

I hope that those in the legislator see through our eyes on how the tax credit offered provides opportunities for those in Hawaii at every level. From the advertisement of our Mom and Pop stores to the world, to the amount of visitors that travel world wide to see their favorite shows to even showcase our people and our cultures of Hawaii through a media that reaches millions.

To sum everything up, being a third generation Union Member of IATSE Local 665. The struggles of our industry and the blessing we had when the tax credits were introduced. Being able to personally over come financial obstacles that was once thought unachievable and having the ability to showcase hawaii to the world. I do hope the Legislature recognize the importance to ensure the tax credit continues without placing a ceiling which will only increase opportunity and growth for the State of Hawaii.

Sincerely yours,

Mclaine Ahuna Local 665 member since 1995

HB-1328

Submitted on: 1/25/2018 2:53:22 PM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Patrick Jeppeson	Local 665	Support	No

Comments:

To whom it may concern, I will support Bill HB1328 but would ask that the limit be removed to gain more support for our somewhat of a busy industry. I have been a member of Local 665 for the past seven years. This benefit of a higher maximum ceiling benefits the community as a whole as much as our own personal needs. The company that give us work and allot of workers, pay for lodging and living expenses(car rentals, groceries, breakfast ,lunch, and dinners, clothing ,tools, ect.) for the time of committed work. The Union and this kind of work gives us a chance to support life as we know it on the islands. Everyone benefits.

Sincerly Yours,

Patrick Jeppeson

Bernard P. Carvalho, Jr.
Mayor

George K. Costa
Director of Economic Development



Wallace G. Rezentes, Jr.
Managing Director

OFFICE OF ECONOMIC DEVELOPMENT

County of Kaua'i, State of Hawai'i

4444 Rice Street, Suite 200, Līhu'e, Hawai'i 96766
TEL (808) 241-4946 FAX (808) 241-6399

January 25, 2018

DATE: Friday, January 26, 2018

TIME: 10:00am

PLACE: Conference Room 309

Hawaii State Capitol 415 South Beretania Street, Honolulu HI

House of Representatives - Committee on Economic Development & Business
Honorable Rep. Cindy Evans, Chair, Rep. Jarrett Keohokalole, Vice Chair & Members

Dear Chair Evans, Vice Chair Keohokalole and Members of the Committee,

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

Aloha! My name is Randy Francisco, County of Kauai – Creative Industries & Small Business Coordinator and Kauai Film Commissioner. Thank you for the opportunity to testify on HB1328. Thank you also for supporting legislation in 2017 with the passage of Act 143 that was the extension of the Motion Picture, Digital Media, and Film Production tax credit to 2026. The film and related industries on Kauai and throughout Hawaii really appreciate the Legislature's support and especially, in sending a message to the global film industry that Hawaii is indeed not only a great place to film but, also, recognizes and appreciates the industry's contributions to Hawaii as a preferred film destination.

The Film and Digital Media industry continues to provide a positive impact on our statewide and island economies through economic and workforce contributions that creates creative economic jobs/careers for people throughout Hawaii.

On behalf of the industry and small businesses throughout Kauai and Hawaii, we respectfully request for the following amendments to HB1328:

- An increase of the ceiling for the Film and Digital Media of the tax credit; and
- Add an accounting position to the Department of Business Economic Development & Tourism - Creative Industries Division in order to improve the support and management of the current film and digital media tax credit program and thus provide greater efficiency and appropriate and much needed staffing

The current ceiling of \$35 million and its carryover provision would effectively create a cycle of diminishing returns that will have a contrarian effect on the industry. Other states have experienced the negative effects and unintended consequences of such a ceiling.

The tax credit continues to be a great investment in diversifying Hawaii's economic and workforce landscape. On behalf of Kauai's and Hawaii's small businesses in this industry, I respectfully request for passage of HB1328.

Thank you for your consideration. Should I be of additional assistance, please feel free to contact me at rfrancisco@kauai.gov, office phone at 241-4953 or cell at 635-4130.

Sincerely yours,

A handwritten signature in cursive script that reads "Randall Francisco".

Randall Francisco
Kaua'i Film Commissioner

Written Statement of
David L. Cunningham
Director
Kona Snow Pictures
before the
House Committee on Economic Development & Business
Friday, January 26, 2018
10:00 a.m.
State Capitol, Conference Room 309

In consideration of
HB1328
RELATING TO TO THE FILM & DIGITAL MEDIA INDUSTRY DEVELOPMENT

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

Kona Snow Pictures supports HB1328 that provides an extension of the sunset on the film production tax credit to 2024 – Kona Snow strongly supports removing the sunset altogether and making it an open-ended credit to ensure longevity of productions to the State.

Aloha from Hawai'i Island.

My name is David Cunningham and I am a lifelong resident of Hawai'i. I am a filmmaker who has made three independent movies in the islands (a total spend of approximately 14Million with hundreds of jobs created). Most recently, I have pioneered the public/private partnership, the GVS Accelerator, which is creating opportunity for other local filmmakers to launch their movies and media. We are so grateful to our friends in government for all their support and we are really seeing headway in local job creation and a growing local independent scene where Hawaii companies are owning their own intellectual property.

I would like to implore you to support House Bill 1328. The cap on the film tax rebate will be devastating to local independent film. Just a few significant Hollywood projects will quickly use up the rebate leaving the young independent local industry stranded. Please don't punish Hawai'i's residents. We have just completed the Film Tax Rebate since their overhaul and can say that with the pre audit process now in place (which costs the filmmaker \$15,000.00) the

accountability and stewardship is total and complete. Please remove the cap and please find additional ways to support the local independents our very jobs and future depend on it.

Thank you for the opportunity to offer these comments.

Sincerely,

David L. Cunningham

LATE

HB-1328

Submitted on: 1/25/2018 7:50:11 PM
Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
norman lani akau III	iatse local 665	Support	Yes

Comments:

Aloha my name is Norman Lani akau III

I am in support of hb1328 and ask that you remove the cap or raise it from its 35 million cap.

The Movies is very I'm portent to our Hawai'i economy and brings in millions of dollars to our local community and business. By removing or raising this cap will allow more films and tv shows to come to Hawaii and bring jobs and revenues.

i have worked in the film industry for over a decade and I count on the Movie industry to feed and raise my family. I thank you and emplour you to help Hawaii's people and economy by removing or raising the 35 million cap!

much Aloha norman I akau iii

executive board member latse 665

LATE

HB-1328

Submitted on: 1/26/2018 8:04:29 AM

Testimony for EDB on 1/26/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Justin Finestone	Hawaii County Film Office	Support	No

Comments:

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

Thank you for the opportunity to testify on this measure. We appreciate your commitment to supporting, growing and sustaining the film and digital media industry in Hawai'i. Our industry employs an average of 2,650 Hawaii residents every year, supports many small businesses and generates over \$300 million a year in our State.

My name is Justin Finestone, the Film Commissioner for the County of Hawai'i, representing the Department of Research and Development.

The 2017 passage of Act 143 saw the extension of the Motion Picture, Digital Media, and Film Production Tax Credit to 2026. The members and working families of the industry greatly appreciate the Legislature's support.

Your continued involvement is critical. Please consider the following amendments:

- Eliminate the ceiling from the film and digital media tax credit or significantly raise it.
- Add an accounting position to the Creative Industries Division to manage the current film and digital media tax credit program. Adding any additional burden to the tax credit will add to the duties of this position.

The current ceiling of \$35 million, and the carryover provision attached to it, would effectively create a cycle of diminishing returns that will eventually, perhaps within two to three years, severely inhibit our industry.

Having the "rollover" will max out the ceiling every year which would will discourage shows from coming here, especially long-running shows like "Hawaii Five-O," and small production companies that often do business on Hawai'i Island would suffer severe hardship while they wait for their rebate, possibly for years.

The remote location of our State makes it logistically difficult and expensive for companies to get here. We compete with Florida, Australia, Mexico and other tropical

locations for film projects. A tax credit with a ceiling makes us less competitive, and companies will film elsewhere.

TV programs and films have given us immeasurable global marketing through blockbuster theater releases, product partnerships, movie tours, and has caused travelers to choose Hawai'i over other destinations. We want to continue this economic growth and have Hawai'i seen as a film-friendly locale.

The tax credit is an incentive that supports the growth of the film and digital media industry. It is a commitment to enhance the diversity of our state's economic landscape. We respectfully ask for this committee's support. By eliminating or substantially raising the ceiling, we will continue to attract projects to our community that will provide jobs and help Hawai'i's working families and businesses who benefit from those projects.

Thank you again for the opportunity to provide comments.