

STAND. COM. REP. NO.

466

Honolulu, Hawaii

FEB 15 2019

RE: S.B. No. 33  
S.D. 2

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,  
to which was referred S.B. No. 33, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

begs leave to report as follows:

The purpose and intent of this measure is to repeal the  
annual \$35,000,000 rolling cap for the motion picture, digital  
media, and film production income tax credit.

Your Committee received testimony in support of this measure  
from the Department of Business, Economic Development, and  
Tourism; University of Hawai'i System; Academy for Creative Media  
at the University of Hawaii at Manoa; Maui County Film Office;  
Hawaii Film and Entertainment Board; 'Ohina LLC; CBS Corporation;  
Screen Actors Guild - American Federation of Television and Radio  
Artists; HiMotion Cinema; Island Film Group; Grafik Films; Youth  
Art of Hawaii; Motion Picture Association of America;  
International Alliance of Theatrical State Employees, Local 665;  
Limelight Productions; NBC Universal; Brad Starks Photo LLC;  
Hawaii Teamsters and Allied Workers, Local 996; Hawaii Filmmakers  
Collective; O'ahu County Committee on Legislative Priorities of the  
Democratic Party of Hawai'i; GVS Accelerator; Viacom; The Walt  
Disney Company; Kauai Film Commission; Ho'omanapono Political  
Action Committee; and one hundred thirty individuals. Your  
Committee received testimony in opposition to this measure from



three individuals. Your Committee received comments on this measure from the Department of Taxation and one individual.

Your Committee finds that from 2006 through 2018, the motion picture, digital media, and film production income tax credit delivered \$2.4 billion in estimated production spending, generated \$3.9 billion in estimated economic activity in the State since 2006, and created an average of nearly 3,000 industry jobs annually. The film industry is an important component of a diversified economy, and the income tax credit has been an instrumental incentive for motion picture, digital media, and film production in the State.

Your Committee further finds that the tax credit was originally established as the motion picture and film production income tax credit in 1997 and has been amended over the years. In 2006, the tax credit was expanded to, among other things, include digital media; however, a sunset date of January 1, 2016, was also established for the amendments made to the tax credit in 2006. In 2013, the tax credit was again amended, and the sunset date for amendments made in 2006, and since then, was extended to January 1, 2019. In 2017, the tax credit was again amended to extend the sunset date for amendments to January 1, 2026, and to establish a \$35 million cap on the total amount of tax credits allowed in any particular year. The cap, which applies to taxable years beginning after December 31, 2018, and is also subject to the January 1, 2026, sunset date, is a rolling cap that allows claims for a tax credit that exceed the \$35 million cap in one year to be claimed in the subsequent year, under that year's cap, except in the final year of the tax credit. After the amendments made to the tax credit repeal, the tax credit will be reenacted in a previous form, without the cap, as the motion picture and film production tax credit.

Your Committee received testimony from the Department of Business, Economic Development, and Tourism indicating that the cap poses severe administrative challenges on the State Film Office due to insufficient staffing to handle the additional layers of accounting required to adequately administer the cap. This measure proposes to repeal the cap before the cap would have otherwise been repealed on January 1, 2026.

Your Committee has amended this measure by:



- (1) Making it apply to taxable years beginning after December 31, 2018; and
- (2) 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 Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 33, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 33, S.D. 2, and be referred to your Committee on Ways and Means.

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



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GLENN WAKAI, Chair



