

STAND. COM. REP. NO.

519

Honolulu, Hawaii

February 15, 2019

RE: H.B. No. 645
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 645 entitled:

"A BILL FOR AN ACT RELATING TO HAWAII FILM STUDIOS,"

begs leave to report as follows:

The purpose of this measure is to amend the motion picture, digital media, and film production income tax credit, to include, as qualified production costs, post-production activities and services performed in Hawaii film studios.

The University of Hawai'i, O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i, and a concerned individual testified in support of this measure. The Department of Taxation (DOTAX), Department of Business, Economic Development, and Tourism, and Tax Foundation of Hawaii provided comments on this measure.

Your Committee has amended this measure by:

- (1) Expanding the definition of "commercial" to include advertising messages with Internet-only distribution;
- (2) Expanding the definition of "post-production" to include production activities and services conducted during principal photography;

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- (3) Clarifying that the definition of "production" includes interactive media;
- (4) Amending the definition of "qualified post-production facility" to mean a facility located in the State that handles all aspects or specialized aspects of post-production work, which may be a stand-alone location or located on the site of a film studio;
- (5) Expanding the definition of "qualified production" to include any over-the-top direct-to-consumer special or series, national or international magazine show, or national or international talk show;
- (6) Authorizing DOTAX to adopt additional rules to determine which qualified post-production facilities are included as qualified production costs for the tax credit;
- (7) Deleting the requirement that at least seventy-five percent of post-production be performed at qualified post-production facilities in order to be qualified production costs for the tax credit;
- (8) Changing its effective date to July 1, 2112; and
- (9) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 645, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 645, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



ANGUS L. K. MCKELVEY, Chair



