

Honolulu, Hawaii

APR 09 2021

RE: H.B. No. 1174  
H.D. 1  
S.D. 2

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2021  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1174, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend state income tax credits.

More specifically, this measure:

- (1) Amends the motion picture, digital media, and film production income tax credit by:
  - (A) Requiring the Department of Business, Economic Development, and Tourism to publish on its website the names of the qualified productions and the amount of the tax credits certified per qualified production per filing year;
  - (B) Allowing excess tax credit amounts to be carried over and applied to a taxpayer's income tax liability in subsequent taxable years;
  - (C) Repealing the requirement that a taxpayer provide evidence when making any claim for products or



services acquired or rendered outside of this State that reasonable efforts were unsuccessful to secure and use comparable products or services within this State;

- (D) Extending the repeal date of the tax credit from January 1, 2026, to January 1, 2033; and
  - (E) Extending the date by which a taxpayer may claim excess tax credits from December 31, 2025, to December 31, 2026; and
- (2) Amending the renewable energy technologies income tax credit by:
- (A) Reducing the cap amounts of the tax credit for renewable energy systems installed and placed in service in the State; and
  - (B) Retaining the current cap amount for community-based renewable energy projects on commercial property.

Your Committee received written comments in support of this measure from Tritium3 and two individuals.

Your Committee received written comments in opposition to this measure from the Honolulu Film Office; 350Hawaii; Blue Planet Foundation; Climate Protectors Hawaii; Environmental Caucus of the Democratic Party of Hawaii; Hawaii Solar Energy Association; Inter-Island Solar Supply; Kauai Climate Action Coalition; KauaiEV; Motion Picture Association, Inc.; Our Revolution Hawaii; ProVision Solar; Sierra Club of Hawaii; Tesla; and numerous individuals.

Your Committee received written comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; Hawaii Green Infrastructure Authority; Hawaii State Energy Office; Hawaii Energy; Hawaiian Electric Company; Island Film Group; Kauai Island Utility Cooperative; Kauai Women's Caucus; Tax Foundation of Hawaii; Ulupono Initiative; and three individuals.



Your Committee finds that the motion picture, digital media, and film production income tax credit, codified as section 235-17, Hawaii Revised Statutes, is a competitive production tax credit program that has attracted significant annual investment in the State's economy. Your Committee also finds that this measure would amend the renewable energy technologies income tax credit by reducing the applicable cap amounts allowed to qualified taxpayers by fifty percent. Further, your Committee notes the serious economic challenges faced by the State due to the ongoing coronavirus disease 2019 pandemic.

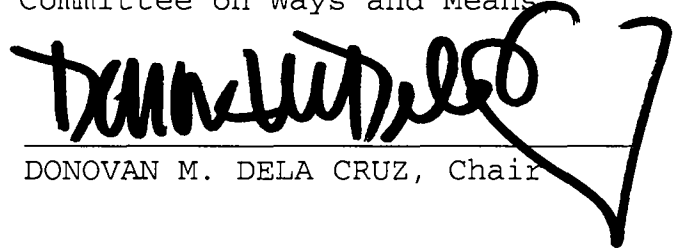
Your Committee has amended this measure by:

- (1) Changing the motion picture, digital media, and film production income tax credit from a refundable tax credit to a nonrefundable tax credit;
- (2) Restoring the requirement that a taxpayer provide evidence, when making any claim under the motion picture, digital media, and film production income tax credit for products or services acquired or rendered outside of this State, that reasonable efforts were unsuccessful to secure and use comparable products or services within this State;
- (3) Extending to December 31, 2032, the date by which a taxpayer may claim excess motion picture, digital media, and film production income tax credits;
- (4) Clarifying that the amendments to the renewable energy technologies income tax credit shall apply to renewable energy technology systems installed and placed in service after December 31, 2021; and
- (5) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1174, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1174, H.D. 1, S.D. 2.



Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means

A large, stylized handwritten signature in black ink, appearing to read "Donovan M. DeLa Cruz". The signature is written over a horizontal line and extends to the right, ending in a large, sweeping flourish that resembles a checkmark or a large number 7.

DONOVAN M. DELA CRUZ, Chair



