

STAND. COM. REP. NO.

143

Honolulu, Hawaii

FEB 10 , 2021

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

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
H.B. No. 1174 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Amend the motion picture, digital media, and film production income tax credit by:
 - (A) Reducing the cap amount and aggregate cap amount of the credit;
 - (B) Establishing a maximum amount of above-the-line costs that may be used to claim the credit;
 - (C) Reducing the minimum amount of qualified productions costs needed to claim the credit;
 - (D) Requiring qualified production costs to be incurred through a qualified vendor;
 - (E) Requiring at least seventy-five percent of a qualified production to be filmed in the State if

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the taxpayer claims a credit in excess of \$5,000,000 in a single taxable year; and

- (F) Requiring that the State receive a percentage of the worldwide gross revenues of a qualified production if the taxpayer claims credits in excess of an aggregate amount of \$15,000,000 in two taxable years;
- (2) Define "above-the-line costs" and "qualified vendor"; and
- (3) Extend the repeal date of the tax credit from January 1, 2026, to January 1, 2033.

Your Committee received testimony in support of this measure from Hawaii Media Inc., Island Film Group, and one individual. Your Committee received testimony in opposition to this measure from the Motion Picture Association, Inc. Your Committee received comments on this measure from the Department of Taxation; Department of the Attorney General; Department of Business, Economic Development, and Tourism; Honolulu Film Office; Tax Foundation of Hawaii; and IATSE Local 665.

Your Committee finds that the film industry in Hawaii is an important component of a diversified economy and that the motion picture, digital media, and film production income tax credit is an effective means of stimulating the economy and creating quality jobs while promoting Hawaii as a visitor destination. Amending certain criteria for the motion picture, digital media, and film production income tax credit, including extending its repeal date, will provide stability and predictable economic incentives for the film industry and people employed in the film industry in the State.

Your Committee has amended this measure by:

- (1) Deleting provisions that would have allowed the State to receive a percentage of the worldwide gross revenues of a qualified production if a taxpayer claimed credits in excess of an aggregate amount of \$15,000,000 in two taxable years;



- (2) Inserting language that requires the Department of Business, Economic Development, and Tourism to post on its website the names of the qualified productions and the amount of tax credits claimed per qualified production per filing year;
- (3) Clarifying that the total tax credits claimed per qualified production shall not exceed \$12,000,000;
- (4) Changing the effective date to July 1, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1174, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1174, H.D. 1, and be referred to your Committee on Finance.

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



SEAN QUINLAN, Chair



