

STAND. COM. REP. NO. 3937

Honolulu, Hawaii

APR - 8 2022

RE: H.B. No. 1982  
H.D. 2  
S.D. 2

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2022  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1982, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXES,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a process to ensure the proper application of the State's motion picture, digital media, and film production income tax credit.

More specifically, the measure:

- (1) Establishes a tax withholding requirement for persons who make payments to loan-out companies for services performed in Hawaii and who claim the motion picture, digital media, and film production income tax credit;
- (2) Imposes an application processing fee for the motion picture, digital media, and film production income tax credit;
- (3) Removes the requirement for qualified productions to submit a verification review by a qualified certified public accountant when applying for the motion picture, digital media, and film production income tax credit;



- (4) Requires reports by the Department of Business, Economic Development, and Tourism to the Legislature on the motion picture, digital media, and film production income tax credit to identify the dollar amount claimed, name of company, and name of qualified production claiming the credit;
- (5) Extends the period during which excess motion picture, digital media, and film production income tax credits may be claimed, from December 31, 2025, to December 31, 2032;
- (6) Requires qualified productions that make payments to a loan-out company and claim the motion picture, digital media, and film production income tax credit to withhold an amount equal to 4.5 percent of qualified production costs for service performed in the State and remit that amount to the Department of Taxation to the credit of the general excise tax account of the loan-out company;
- (7) Amends the uses of the tax administration special fund; and
- (8) Authorizes the Department of Taxation to establish four full-time equivalent (4.0 FTE) tax auditor positions.

Your Committee received written comments in support of this measure from the Department of Business, Economic Development, and Tourism; University of Hawaii; Island Film Group; Motion Picture Association; and seven individuals.

Your Committee received written comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that, according to the Department of Business, Economic Development, and Tourism, the motion picture, digital media, and film production income tax credit, codified as section 235-17, Hawaii Revised Statutes, is an essential element of the State's economic recovery efforts amidst the coronavirus disease 2019 pandemic.



Your Committee has amended this measure by:

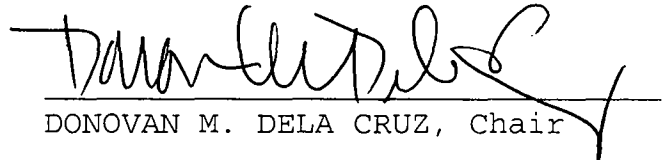
- (1) Reducing the minimum amount of qualified production costs necessary to claim the motion picture, digital media, and film production income tax credit, from \$200,000 to \$100,000;
- (2) Amending the language of the tax withholding requirement to:
  - (A) Change the rate of the tax withholding amount from 4.5 percent to "the applicable rate"; and
  - (B) Clarify the deadline for remitting the withheld amounts to the Department of Taxation;
- (3) Requiring the Department of Business, Economic Development, and Tourism to issue a certification letter to a taxpayer seeking to claim the motion picture, digital media, and film production income tax credit no later than ten months after the receipt of the taxpayer's statement required under section 235-17(h), Hawaii Revised Statutes;
- (4) Amending the withholding amount for qualified productions claiming the motion picture, digital media, and film production income tax credit from 4.5 percent to one-half of one percent of the qualified production costs;
- (5) Clarifying the deadline by which qualified productions claiming the motion picture, digital media, and film production income tax credit must remit withheld amounts to the Department of Taxation; and
- (6) 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. 1982, H.D. 2, S.D. 1, as amended herein, and recommends that



it pass Third Reading in the form attached hereto as H.B.  
No. 1982, H.D. 2, S.D. 2.

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

  
DONOVAN M. DELA CRUZ, Chair



