

Honolulu, Hawaii

FEB 18 , 2022

RE: H.B. No. 2228
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
H.B. No. 2228 entitled:

"A BILL FOR AN ACT RELATING TO FILM INFRASTRUCTURE TAX
CREDIT,"

begs leave to report as follows:

The purpose of this measure is to establish the motion
picture, digital media, and film infrastructure 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; Screen Actors Guild -
American Federation of Television and Radio Artists; International
Alliance of Theatrical Stage Employees, Moving Picture
Technicians, Artists and Allied Crafts of the United States, Its
Territories and Canada, AFL-CIO, CLC Local 665; Blacksand Capital;
Island Film Group; Manhattan Beach Studio Group; Rideback; Kapolei
Chamber of Commerce; and one individual. Your Committee received
comments on this measure from the Department of Taxation,
Department of Budget and Finance, and Tax Foundation of Hawaii.

Your Committee finds that the State's successful
diversification of the economy through the film production
industry is currently constrained by the severe lack of physical
infrastructure. Your Committee further finds that the Hawaii Film



Studio is the only stage complex in the entire State, which can only accommodate one television production at a time and is not fit for any large films. This measure is intended to incentivize the establishment of necessary film related infrastructure to attract more productions to the State, thereby generating more revenue and creating more jobs for residents.

Your Committee notes the testimony of the Department of Taxation before your Committee, expressing strong concerns regarding language in this measure that would allow a taxpayer to set up an empty shell entity with no assets and make a fraudulent misrepresentation with impunity, as the only recourse of the Department under this provision as written would be to pursue an empty shell with no assets.

Accordingly, your Committee has amended this measure by:

- (1) Changing the amount a taxpayer has to invest in a qualified film infrastructure project to qualify for the tax credit to an unspecified amount;
- (2) Changing the amount of the tax credit to an unspecified percentage of the eligible infrastructure costs made by a taxpayer;
- (3) Deleting language that would have limited the remedial powers of the Department of Taxation and Director of Taxation to only seek collection of the amount of the tax credits from the taxpayer that committed fraud or misrepresentation;
- (4) Changing the total amount of the tax credit allowed in any year to an unspecified amount;
- (5) Changing the effective date to October 18, 2050, to encourage further discussion; and
- (6) 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. 2228, as amended herein, and recommends that it pass Second



Reading in the form attached hereto as H.B. No. 2228, 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



