## STAND. COM. REP. NO. 2019

Honolulu, Hawaii

FEB - 1 2022 RE: S.B. No. 2167 S.D. 1

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

Sir:

Your Committee on Energy, Economic Development, and Tourism, to which was referred S.B. No. 2167 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- Create a nonrefundable twenty percent film infrastructure tax credit for film infrastructure projects that spend at least \$3,000,000 on buildings, facilities, or installations; and
- (2) Cap the nonrefundable twenty percent film infrastructure tax credit at \$10,000,000 per year.

Your Committee received testimony in support of this measure from University of Hawai'i System, Screen Actors Guild - American Federation of Television and Radio Artists, Island Film Group, International Alliance of Theatrical Stage Employees Local 665, and one individual. Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Budget and Finance; Department of Taxation; and Tax Foundation of Hawaii.



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Your Committee finds that Hawaii is one of a few states that have yet to adopt a film infrastructure tax credit. Your Committee recognizes that the Hawaii has lost opportunities to increase state revenues and enhance job creation as motion picture, digital media, and film companies have left the State to complete production due to a lack of physical infrastructure for interior shooting, visual effects, and other post-production work. In addition to the creation of film studios, sound stages, interior sets, and other much-needed buildings, facilities, and installations; according to testimony received by your Committee, there is also a need to upgrade existing facilities, such as the Hawaii Film Studio at Diamond Head and the Kalaeloa Film Studio at the old naval air station at Barbers Point, to include and support new production and post-production technologies that current productions need. Your Committee further finds that incentivizing the physical capacity of the Hawaii's film industry is essential to strengthening and diversifying the State's economy.

Your Committee also finds that the adoption of a film infrastructure tax credit necessitates an increase of resources for the Creative Industries Division of the Department of Business, Economic Development, and Tourism to perform its responsibilities.

Accordingly, your Committee has amended this measure by:

- Adding language that appropriates an unspecified amount to the Creative Industries Division of the Department of Business, Economic Development, and Tourism to establish two full-time staff positions for the operation and management of the film infrastructure tax credit;
- (2) Clarifying the definition of eligible infrastructure costs;
- (3) Removing language that:
  - (A) Allowed the film infrastructure tax credit to be sold, assigned, or transferred to another taxpayer;
  - (B) Exempted the film infrastructure tax credit from any post-certification remedy; and

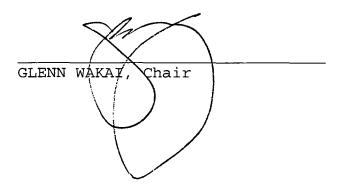


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- (C) Limited the remedy of a taxpayer's fraud or misrepresentation to the collection of the taxpayer's film infrastructure tax credits; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2167, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2167, S.D. 1, and be referred to your Committee on Ways and Means.

> Respectfully submitted on behalf of the members of the Committee on Energy, Economic Development, and Tourism,





## The Senate Thirty-First Legislature State of Hawai'i

## Record of Votes Committee on Energy, Economic Development, and Tourism EET

Bill / Resolution No.:*	Committee F		Dat	e:	
SB 2167	盱眙	WAH		e: 12812	r
The Committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)					
MISALUCHA, Bennette E. (VC)					
LEE, Chris				_	
RIVIERE, Gil					
FEVELLA, Kurt					
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TOTAL		5	$  \varphi  $	ø	Ø
Recommendation: Adopted Not Adopted					
Chair's or Designee's Signature: Bennette le Missilun					
Distribution: Original Yellow File with Committee Report Clerk's Office			Pink Goldenrod Drafting Agency Committee File Copy		

\*Only <u>one</u> measure per Record of Votes