

Honolulu, Hawaii

FEB 08 2023

RE: S.B. No. 1495  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,  
to which was referred S.B. No. 1495 entitled:

"A BILL FOR AN ACT RELATING TO THE MOTION PICTURE, DIGITAL  
MEDIA, AND FILM PRODUCTION INCOME TAX CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Clarify requirements for film productions with production expenditures of \$1,000,000 or more claiming the motion picture, digital media, and film production income tax credit;
- (2) Increase the annual cap from \$50,000,000 to \$75,000,000 for the total amount of the motion picture, digital media, and film production tax credit; and
- (3) Expand the definition of qualified production for the motion picture, digital media, and film production income tax credit to include streaming platforms.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; University of Hawai'i System; Hawaii Teamsters and Allied Workers Local 996; Screen Actors Guild - American Federation of Television and Radio Artists; Island Film Group; FilmCo Holdings;



IATSE Local 665; Hawai'i State AFL-CIO; Hawai'i Nurses' Association - OPEIU Local 50; Stonewall Caucus of the Democratic Party of Hawai'i; Pride at Work - Hawai'i; Kapolei Chamber of Commerce; GripSmith, LLC; and twenty-six individuals. Your Committee received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and one individual.

Your Committee finds that the motion picture, digital media, and film production income tax credit was established by Act 107, Session Laws of Hawaii 1997, to promote the Hawaii film industry and make the State more attractive for motion picture, digital media, and film production decision makers. However, the tax credit's existing \$50,000,000 annual spending cap is not reflective of the current volume of business of the State's film industry and does not provide enough room for growth. Your Committee further finds that the Hawaii film industry creates approximately \$500,000,000 in revenue for the State's economy and an estimated five thousand jobs. Your Committee believes that the tax credit's cap should be increased to reflect the growth of the motion picture, digital media, and film industry in the State. This measure will further expand definitions to align with modern industry standards and refine and strengthen the motion picture, digital media, and film production income tax credit to create greater opportunities for growth and local working families.

Your Committee has heard the concerns raised in testimony that additional labor and vendor protections are necessary to ensure the film tax credit benefits the local workforce. Accordingly, amendments to this measure are necessary to address these concerns.

Your Committee has amended this measure by:

- (1) Inserting language that requires productions claiming the tax credit to:
  - (A) Have not less than seventy-five percent local hires;
  - (B) Utilize one hundred percent local vendors; provided that employment of vendors shall be seventy-five percent local under contract; and provided further that local vendors be provided the opportunity

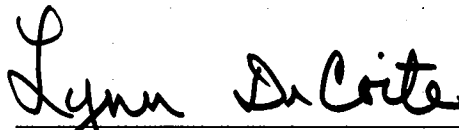


(with reasonable notice) to obtain equipment, materials, or supplies before the production outsources to an out-of-state company; and

- (C) Submit a notarized statement that lists out-of-state hires and vendors used and the reasons why local hires and vendors were not used;
- (2) Inserting an effective date of January 6, 2050, to encourage further discussion;
- (3) Amending section 1 to reflect its amended purpose; 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. 1495, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1495, 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,

  
LYNN DECOITE, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

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

Bill / Resolution No.:* <b>SB 1495</b>	Committee Referral: <b>EET, WAM</b>	Date: <b>2/2/23</b>
---	--	------------------------

The Committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312    
  Pass, with amendments 2311    
 Hold 2310    
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
DECOITE, Lynn (C)	✓			
WAKAI, Glenn (VC)	✓			
FUKUNAGA, Carol	✓			
KIM, Donna Mercado	✓			
FEVELLA, Kurt	✓			
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>

Recommendation:    
 Adopted    
 Not Adopted

Chair's or Designee's Signature: 

Distribution:    
 Original     Yellow     Pink     Goldenrod  
 File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy

\*Only one measure per Record of Votes