

STAND. COM. REP. NO. 1459

Honolulu, Hawaii

March 23, 2007

RE: S.B. No. 1920
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committees on Tourism & Culture and Economic Development & Business Concerns, to which was referred S.B. No. 1920, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

beg leave to report as follows:

The purpose of this bill is to improve and enhance various provisions relating to performing arts and motion picture, digital media, and film production by:

- (1) Recodifying the existing income tax exclusions for performing arts royalties into a new part of Chapter 235, Hawaii Revised Statutes (HRS);
- (2) Establishing a separate Performance Arts Investment Tax Credit and Tax Credit for Performing Arts Research Activities under the new part;
- (3) Recodifying the Motion Picture, Digital Media, and Film Production Income Tax Credit (Tax Credit) under the new part, and also:
 - (A) Increasing the Tax Credit amount to 20 percent of the qualified production costs incurred by a qualified production in any county with a population over 700,000;



- (B) Increasing the Tax Credit amount to 25 percent of the qualified production costs incurred by a qualified production in any county with a population of 700,000 or less;
 - (C) Clarifying that the written statement required of taxpayers claiming the Tax Credit:
 - (i) Identify the number of total hires versus the number of qualified local hires by category and by county;
 - (ii) Identify evidence of educational or workforce development efforts; and
 - (iii) Be used by the Department of Business, Economic Development, and Tourism (DBEDT) to prepare a public report, published biannually, presenting information identifying Tax Credit recipients and the aggregate total value of credits received;
- and
- (D) Changing the limit on Tax Credits claimed per qualified production to an unspecified amount;
- (4) Removing references to performing arts products from the law excluding royalties from patents, copyrights, or trade secrets from gross income; and
 - (5) Repealing the Hawaii Television and Film Development Board, and making DBEDT responsible for the Board's duties.

I.A.T.S.E. Local 665 and a concerned individual supported this bill. DBEDT supported the intent of this measure. The Department of Taxation, Tax Foundation of Hawaii, and a concerned individual submitted comments.

Your Committees have amended this measure by:

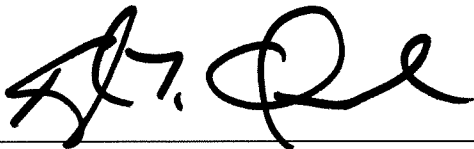
- (1) Deleting the provisions establishing the Performance Arts Investment Tax Credit and the Tax Credit for Performing Arts Research Activities;



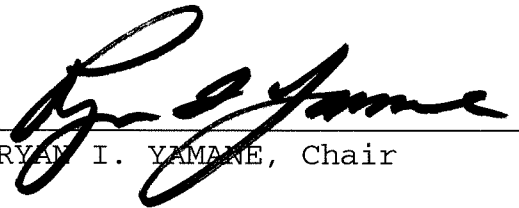
- (2) Deleting the provisions recodifying the Tax Credit under the new part, increasing the credit amounts, and changing the limit on Tax Credits claimed per qualified production;
- and
- (3) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the records of votes of the members of your Committees on Tourism & Culture and Economic Development & Business Concerns that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1920, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1920, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committees on Tourism & Culture
and Economic Development &
Business Concerns,



KYLE T. YAMASHITA, Chair



RYAN I. YAMANE, Chair



