

STAND. COM. REP. NO. 1585

Honolulu, Hawaii

April 8, 2011

RE: S.B. No. 318
S.D. 2
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 318, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO BUSINESS DEVELOPMENT IN HAWAII,"

begs leave to report as follows:

The purpose of this bill is to provide enhanced incentives for film and television production in Hawaii by adding a Qualified Media Infrastructure Project Tax Credit (Infrastructure Credit) to the existing Motion Picture, Digital Media, and Film Production Income Tax Credit (Production Credit). This bill also:

- (1) Establishes a Qualified Persons Crew Training Program Rebate Program; and
- (2) Repeals the existing limit on the amount of Production Credits that may be claimed by a qualified production.

The Mayor of the County of Maui; International Alliance of Theatrical Stage Employees, Mixed Local 665; Island Film Group; Hawaii Animation Studios; Relativity Media, LLC; SHM Partners/Film Studio Group; The Hawaii Building and Construction Trades Council, AFL-CIO; Hyperspective Studios; The Plumbers and Fitters Union, Local 675; On Location Services; and numerous concerned individuals supported this bill. The Department of Taxation (DOTAX), Department of Business, Economic Development, and Tourism

SB318 HD2 HSCR FIN HMS 2011-3700



(DBEDT), Mayor of the City and County of Honolulu, Big Island Film Office, Tax Foundation of Hawaii, Prox13 Productions, Waianae Business Center, and several concerned individuals submitted comments.

Your Committee has amended this bill by, among other things:

- (1) Extending the duration of the lien on a qualified media infrastructure project, in favor of the State, pledged by a taxpayer eligible to claim the Infrastructure Credit from five years to ten years after completion of the infrastructure project;
- (2) Inserting and modifying the substance of House Bill No. 1308, S.D. 1, Regular Session of 2011, which:
 - (A) Establishes a Digital Media Production Infrastructure Tax Credit (Digital Media Infrastructure Credit) for investment expenditures made by a taxpayer for qualified digital media infrastructure projects within a Digital Media Enterprise Subzone;
 - (B) Defines a Digital Media Enterprise Subzone as a geographic area located within an unspecified radius of a University of Hawaii (UH) campus that is within an existing enterprise zone; provided that from July 1, 2011, to June 30, 2013, establishment of a Digital Media Enterprise Subzone is limited to an area within an unspecified radius of UH-West Oahu;
 - (C) Renames the existing Hawaii Television and Film Development Special Fund as the Hawaii Film Office Special Fund (Special Fund); and
 - (D) Temporarily amends the Special Fund by:
 - (i) Repealing the existing uses of the Special Fund and specifying, instead, that monies in the Special Fund shall be used for the operations of the Hawaii Film Office, including certain personnel costs; and
 - (ii) Adding rents from the use of the Hawaii Film Studio and fees collected for certain tax

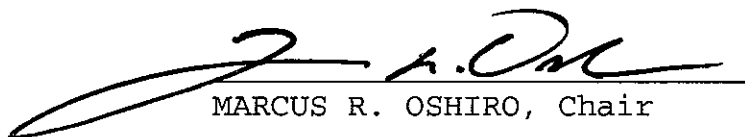


credit-related activities performed by DBEDT to the list of funding sources for the Special Fund;

- (3) Amending the recapture provisions of the Digital Media Infrastructure Credit by specifying that 90 percent, rather than 25 percent, of the tax credit claimed in the preceding five, instead of two, taxable years will be recaptured;
- (4) Requiring a taxpayer who claims:
 - (A) The Infrastructure Credit to transmit 15 percent of the gross revenues derived from a state-certified infrastructure project or \$1,000, whichever is greater, to DOTAX for deposit into the general fund; or
 - (B) The Digital Media Infrastructure Credit to transmit 15 percent of the gross revenues derived from a qualified digital media infrastructure project or \$1,000, whichever is greater, to DOTAX for deposit into the general fund;
- (5) Changing its effective date to July 1, 2050, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 318, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 318, S.D. 2, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

Record of Votes of the Committee on Finance

| | | |
|--|---------------------------------|-----------------|
| Bill/Resolution No.: SB 318, SD2, HD1 | Committee Referral: ERB, FIN | Date: 4/6/11 |
|--|---------------------------------|-----------------|

The committee is reconsidering its previous decision on the measure.

The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold
 Pass short form bill with HD to recommit for future public hearing (recommit)

| FIN Members | Ayes | Ayes (WR) | Nays | Excused |
|---------------------------|------|-----------|------|---------|
| 1. OSHIRO, Marcus R. (C) | ✓ | | | |
| 2. LEE, Marilyn B. (VC) | ✓ | | | |
| 3. CHONG, Pono | ✓ | | | |
| 4. CHOY, Isaac W. | ✓ | | | |
| 5. CULLEN, Ty | ✓ | | | |
| 6. HAR, Sharon E. | ✓ | | | |
| 7. HASHEM, Mark J. | ✓ | | | |
| 8. ICHIYAMA, Linda | ✓ | | | |
| 9. JORDAN, Jo | ✓ | | | |
| 10. KAWAKAMI, Derek S.K. | ✓ | | | |
| 11. LEE, Chris | ✓ | | | |
| 12. MORIKAWA, Dee | ✓ | | | |
| 13. TOKIOKA, James Kunane | ✓ | | | |
| 14. YAMASHITA, Kyle T. | ✓ | | | |
| 15. MARUMOTO, Barbara C. | ✓ | | | |
| 16. RIVIERE, Gil | ✓ | | | |
| 17. WARD, Gene | ✓ | | | |
| TOTAL (17) | 17 | 0 | 0 | 0 |

The recommendation is: Adopted Not Adopted
 If joint referral, _____ did not support recommendation.
 committee acronym(s)

Vice Chair's or designee's signature: Marilyn B. Lee

Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO