

STAND. COM. REP. NO.

802

Honolulu, Hawaii

MAR 01 2013

RE: S.B. No. 463  
S.D. 2

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 463, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO FILM AND DIGITAL MEDIA  
INDUSTRY DEVELOPMENT,"

begs leave to report as follows:

The purpose and intent of this measure is to facilitate the growth of the film and digital media industry in the State.

Specifically, the measure strengthens the film industry in Hawaii by:

- (1) Extending the motion picture, digital media, and film production income tax credit for an additional seven years from 2016 to 2023;
- (2) Increasing the amount of the tax credit from fifteen per cent to twenty per cent in a county with a population over 700,000, and from twenty per cent to twenty-five per cent for counties with a population of 700,000 or less;
- (3) Removing the cap on total tax credits that may be claimed for a qualified production;
- (4) Establishing a media infrastructure project tax credit;  
and



- (5) Creating a Hawaii film office special fund, with funds from application fees to be deposited into the fund and funds expended to manage media infrastructure project tax credits and related programs.

Your Committee received written comments in support of this measure from the Mayor of the County of Maui.

Your Committee received written comments in opposition to this measure from a concerned individual.

Your Committee received written comments on this measure from the Department of Business, Economic Development, and Tourism, the Department of Taxation, and the Tax Foundation of Hawaii.

Your Committee finds that new media infrastructure development is necessary to increase the growth of Hawaii's film industry. This measure provides an incentive for developing media infrastructure projects. Your Committee believes that the Department of Business, Economic Development, and Tourism, rather than the Department of Taxation, is better suited for administering certain components of the proposed media infrastructure project tax credit program. Your Committee further finds that requiring the Department of Taxation to report annually to the Legislature on the media infrastructure project tax credit would assist in determining the effectiveness of the program.

Your Committee has amended this measure by:

- (1) Changing the amounts of the motion picture, digital media, and film production income tax credit to unspecified amounts;
- (2) Moving the provision establishing the Hawaii film office special fund from section 235-17, Hawaii Revised Statutes, to the new statutory section establishing the media infrastructure project tax credit;
- (3) Providing that, with regard to the media infrastructure project tax credit, the Department of Business, Economic Development, and Tourism, rather than the Department of Taxation, shall be responsible for audit approval, expenditure certification, application processing, and issuance of final tax credit certification letters;



- (4) Clarifying how the media infrastructure project tax credit is to be computed and distributed in the case of partnerships, S corporations, estates, and trusts;
- (5) Clarifying the effect of the media infrastructure project tax credit on depreciable property;
- (6) Clarifying that the media infrastructure project tax credit shall apply to a taxpayer's net income tax liability after all other tax credits allowed under chapter 235, Hawaii Revised Statutes;
- (7) Clarifying that, with regard to the media infrastructure project tax credit, the terms "production" and "post production" shall have the same meaning as in section 235-17, Hawaii Revised Statutes;
- (8) Clarifying that general excise taxes paid on bank loan finance fees shall be considered as a qualifying expense for which the media infrastructure project tax credit may be claimed;
- (9) Changing the amounts of the media infrastructure project tax credit, performance bond, and recapture to unspecified amounts;
- (10) Requiring the Department of Taxation to submit an annual report to the Legislature on the media infrastructure project tax credit;
- (11) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (12) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 463, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 463, S.D. 2.




Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

*David Y. Ige*  
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DAVID Y. IGE, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* SB 463, SD 1	Committee Referral: EGH/TEC, WAM	Date: 2-27-13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.				✓
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.	✓			
SLOM, Sam			✓	
<b>TOTAL</b>	<b>11</b>	<b>0</b>	<b>1</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> 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