

STAND. COM. REP. NO.

822

Honolulu, Hawaii

MAR 01 2013

RE: S.B. No. 750
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. 750, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO DIGITAL MEDIA INFRASTRUCTURE,"

begs leave to report as follows:

The purpose and intent of this measure is to establish an income tax credit for the development of qualified media infrastructure projects in designated or qualifying geographic areas of the State.

Specifically, the measure targets West Oahu or an island in a county with a population between one hundred thousand and one hundred seventy-five thousand as potential sites where the construction of a media infrastructure project would qualify for the tax credit established in this measure.

Your Committee received written comments in support of this measure from the Mayor of the County of Maui and SHM Partners/Film Studio Group.

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

Your Committee finds that new infrastructure development is necessary for increasing the growth of Hawaii's film industry. Your Committee also finds that this measure provides an incentive for developing media infrastructure projects. However, your

SB750 SD2 SSCR LRB 13-1961.doc



Committee believes that the Department of Business, Economic Development, and Tourism is better suited to administering certain components of the proposed tax credit program than the Department of Taxation. Your Committee further finds that requiring the Department of Taxation to report annually to the Legislature on the qualified media infrastructure tax credit would assist in evaluating the effectiveness of the program.

Your Committee has amended this measure by:

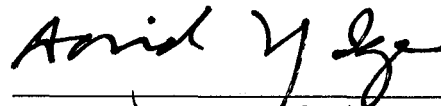
- (1) Providing that audit approval, expenditure certification, application processing, and issuance of final tax credit certification letters shall be conducted by the Department of Business, Economic Development, and Tourism, rather than the Department of Taxation;
- (2) Clarifying how the tax credit is to be computed and distributed in the case of flow-through entities;
- (3) Clarifying the effect of the tax credit on depreciable property;
- (4) Clarifying that the tax credit shall apply to a taxpayer's net income tax liability after all other tax credits allowed under chapter 235, Hawaii Revised Statutes;
- (5) Clarifying that the terms "production" and "post-production" shall have the same meaning as in section 235-17, Hawaii Revised Statutes;
- (6) Clarifying that general excise taxes paid on bank loan finance fees shall be considered as a qualifying expense for which the tax credit may be claimed;
- (7) Changing the amounts of the tax credit, performance bond, and recapture to unspecified amounts;
- (8) Requiring the Department of Taxation to submit an annual report to the Legislature;
- (9) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and



(10) 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. 750, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 750, S.D. 2.

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

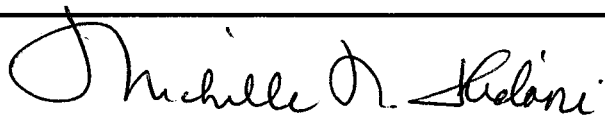


DAVID Y. IGE, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB750, SD1	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	✓			
TOTAL	12	0	0	1
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