

Honolulu, Hawaii

APR 06 2017

RE: H.B. No. 423
H.D. 2
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committees on Ways and Means and Judiciary and Labor, to which was referred H.B. No. 423, H.D. 2, 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 promote a diversified economy in the State by encouraging film and digital media production.

More specifically, the measure:

- (1) Extends, for an additional five years, the enhanced incentives of the motion picture, digital media, and film production income tax credit that were enacted pursuant to Act 89, Session Laws of Hawaii 2013;
- (2) Clarifies that qualifying production costs are those costs incurred and expended within the State;
- (3) Specifies that taxpayers claiming the tax credit are required to prequalify for the credit, by registering with the Film Office of the Department of Business, Economic Development, and Tourism, and are required to obtain certification from the Film Office;



- (4) Specifies that the Department of Business, Economic Development, and Tourism reporting requirement regarding fiscal impact to the State entails reporting on those film productions receiving the tax credit;
- (5) Specifies that to qualify for the tax credit, a production must provide evidence of recognition, ability to understand, and efforts to respect and comply with cultural and environmental sensitivities in sensitive locations, including employing or contracting for the services of cultural resources or historical, cultural, or language experts to advise the production;
- (6) Specifies that to qualify for the tax credit, a production must agree that if the production claims a credit of more than \$8,000,000, the production will provide an advanced screening of the finished product in the county of the island in which the majority of the production took place; and
- (7) Specifies that a taxpayer's failure to submit a written, sworn statement to the Department of Business, Economic Development, and Tourism regarding the production may constitute a waiver of the right to claim the tax credit.

Your Committees received written comments in support of this measure from the Department of Business, Economic Development, and Tourism; County of Hawaii; Hawaii State AFL-CIO; ILWU Local 142; Island Film Group; SAG-AFTRA Hawaii; I.A.T.S.E. Local 665; American Federation of Musicians' Local 677; Hawaii Teamsters and Allied Workers Local 996; NBC Universal Media, LLC; and one individual.

Your Committees received written comments on this measure from the Department of Taxation; Office of the Auditor; and Tax Foundation of Hawaii.

Your Committees find that the film and television industry is a significant economic driver for the State, both in the numerous high-quality jobs that large productions entail and in the positive media image projected around the globe of Hawaii as a



tourist destination. Your Committees recognize that many film and television producers from outside of the State must select filming locations long in advance of production, and consequently, the approaching sunset date of the motion picture, digital media, and film production income tax credit may deter producers from selecting Hawaii as their production location.


Your Committees have amended this measure by establishing an annual aggregate cap of \$30,000,000 on the tax credit and allowing a taxpayer to claim all or part of the credit in a subsequent year if the aggregate cap has been reached in the year for which the taxpayer was eligible to claim the credit.

As affirmed by the records of votes of the members of your Committees on Ways and Means and Judiciary and Labor that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 423, H.D. 2, S.D. 1, as amended herein, and recommend that it pass Third Reading in the form attached hereto as H.B. No. 423, H.D. 2, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committees on Ways and Means
and Judiciary and Labor,



GILBERT S.C. KEITH-AGARAN, Chair

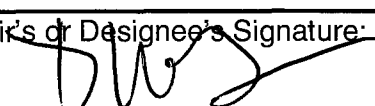


JILL N. TOKUDA, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 423, HD2, SD1	ETT, WAM/SDL	3/30/17		
<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
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
ENGLISH, J. Kalani				/
GALUTERIA, Brickwood	/			
HARIMOTO, Breene	/			
INOUYE, Lorraine R.	/			
KAHELE, Kaiali'i				
RIVIERE, Gil	/			/
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.	/			
WAKAI, Glenn	/			
TOTAL	8			3
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

