

STAND. COM. REP. NO. 490

Honolulu, Hawaii

FEB 19 2021

RE: S.B. No. 921
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,
to which was referred S.B. No. 921 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the motion
picture, digital media, and film production income tax credit,
pursuant to section 235-17, Hawaii Revised Statutes, by:

- (1) Reducing the cap amount and aggregate cap amount of the credit;
- (2) Establishing a maximum amount of above-the-line costs that may be used to claim the credit;
- (3) Reducing a minimum amount of qualified productions costs needed to claim the credit;
- (4) Requiring qualified production costs to be incurred through a qualified vendor;
- (5) Requiring at least seventy-five percent of a qualified production to be filmed in the Sate if the taxpayer claims a credit in excess of \$5,000,000 in a single taxable year;



- (6) Requiring that the State receive a percentage of the worldwide gross revenues of a qualified production if the taxpayer claims credits in excess of \$15,000,000 in two taxable years;
- (7) Reducing the total tax credits claimed per qualified production to \$12,000,000;
- (8) Requiring the Department of Business, Economic Development, and Tourism to make a public disclosure identifying the name of the taxpayers who are receiving the tax credits and the total amount of tax credit received;
- (9) Defining "above-the-line costs" and "qualified vendor"; and
- (10) Extending the repeal date of the tax credit from January 1, 2026 to January 1, 2033.

Your Committee received testimony in support of this measure from the Island Group. Your Committee received testimony in opposition to this measure from the Motion Picture Association. Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; Department of the Attorney General; and Tax Foundation of Hawaii.

Your Committee finds that this measure is an important tool to foster the State's economic recovery efforts amidst the coronavirus disease 2019 pandemic.

Your Committee further finds that the Department of Business, Economic Development, and Tourism testified that 2021 is gearing up to be an explosive year in production and entertainment around the globe and also in Hawaii because of the increased demand for streaming content worldwide during the pandemic. The Legislature believes that it is important to enable the State to continue this production momentum, create jobs, and sustain the pipeline of opportunity for local students, while also allowing the State to attract private investment.



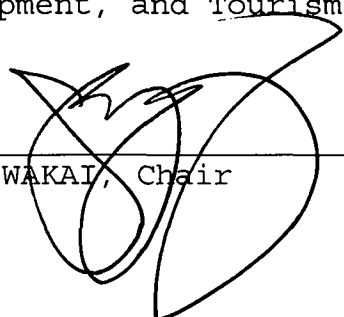
Accordingly your Committee finds that amending the measure to reduce the tax credit cap per qualified production will promote continued expansion of production opportunities in the State.

Your Committee has amended this measure by:

- (1) Retaining the provision reducing the total tax credits claimed per qualified production to from \$15,000,000 to \$12,000,000;
- (2) Requiring the Department of Business, Economic Development, and Tourism to make a public disclosure identifying the name of the taxpayers who receive the tax credits and the total amount of tax credit received;
- (3) Deleting the rest of its contents; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 921, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 921, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Energy, Economic
Development, and Tourism,



GLENN WAKAI, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Energy, Economic Development, and Tourism
EET

Bill / Resolution No.:* <i>SP 921</i>	Committee Referral: <i>EET, WAM</i>	Date: <i>2/10/21</i>		
<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
WAKAI, Glenn (C)	✓			
MISALUCHA, Bennette E. (VC)	✓			
LEE, Chris <i>(EXC)</i>				✓
RIVIERE, Gil	✓			
FEVELLA, Kurt	✓			
TOTAL	<i>4</i>	<i>0</i>	<i>0</i>	<i>1</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Bennette E. Misalucha</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes