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## A BILL FOR AN ACT

RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the film industry in  
2 Hawaii is an important component of a diversified economy. The  
3 legislature also finds that the motion picture, digital media,  
4 and film production income tax credit has been effective in  
5 stimulating the economy and creating quality jobs in a clean  
6 industry while promoting Hawaii as a visitor destination.

7           The purpose of this Act is to stimulate the motion picture,  
8 digital media, and film production industry in Hawaii by:

9           (1) Allowing greater flexibility in conditions placed on  
10 eligibility requirements for the motion picture,  
11 digital media, and film production income tax credit  
12 by granting a qualified production the option of  
13 providing the State with alternative marketing  
14 opportunities in lieu of a shared-card, end-title  
15 screen credit;

16           (2) Amending the amount of the total tax credits that may  
17 be claimed per qualified production; and



1           (3) Amending the annual aggregate cap placed on the amount  
2           of motion picture, digital media, and film production  
3           income tax credits that may be claimed by qualified  
4           productions.

5           SECTION 2. Section 235-17, Hawaii Revised Statutes, is  
6 amended as follows:

7           1. By amending subsection (d) to read:

8           "(d) To qualify for this tax credit, a production shall:

- 9           (1) Meet the definition of a qualified production  
10           specified in subsection (m);  
11           (2) Have qualified production costs totaling at least  
12           \$200,000;  
13           (3) Provide the State a qualified Hawaii promotion, which  
14           shall be [~~at~~]:

15           (A) At a minimum, a shared-card, end-title screen  
16           credit, where applicable; or

17           (B) Alternative marketing opportunities, approved by  
18           the department of business, economic development,  
19           and tourism, that offer equal or greater  
20           promotional value to the State than the shared-  
21           card, end-title screen credit;



1 (4) Provide evidence of reasonable efforts to hire local  
2 talent and crew;

3 (5) Provide evidence when making any claim for products or  
4 services acquired or rendered outside of this State  
5 that reasonable efforts were unsuccessful to secure  
6 and use comparable products or services within this  
7 State;

8 (6) Provide evidence of financial or in-kind contributions  
9 or educational or workforce development efforts, in  
10 partnership with related local industry labor  
11 organizations, educational institutions, or both,  
12 toward the furtherance of the local film and  
13 television and digital media industries."

14 2. By amending subsection (i) to read:

15 "(i) The department of business, economic development, and  
16 tourism shall:

17 (1) Maintain records of the names of the taxpayers and  
18 qualified productions thereof claiming the tax credits  
19 under subsection (a);



- 1 (2) Obtain and total the aggregate amounts of all  
2 qualified production costs per qualified production  
3 and per qualified production per taxable year;
- 4 (3) Provide a letter to the director of taxation  
5 specifying the amount of the tax credit per qualified  
6 production for each taxable year that a tax credit is  
7 claimed and the cumulative amount of the tax credit  
8 for all years claimed; and
- 9 (4) Submit a report to the legislature no later than  
10 twenty days prior to the convening of each regular  
11 session detailing ~~[the]~~:
- 12 (A) The non-aggregated qualified production costs  
13 that form the basis of the tax credit claims and  
14 expenditures, itemized by taxpayer, in a redacted  
15 format to preserve the confidentiality of the  
16 taxpayers claiming the credit[-]; and
- 17 (B) The marketing opportunities the department of  
18 business, economic development, and tourism has  
19 approved under subsection (d) (3) (B), including:
- 20 (i) The goals and strategy justifying each of  
21 those approved marketing opportunities; and



1           (ii) The names of all production companies who  
2           opted to include a shared-card, end-title  
3           screen credit in their final production  
4           instead of offering the State an alternative  
5           marketing proposal.

6           Upon each determination required under this subsection, the  
7           department of business, economic development, and tourism shall  
8           issue a letter to the taxpayer, regarding the qualified  
9           production, specifying the qualified production costs and the  
10          tax credit amount qualified for in each taxable year a tax  
11          credit is claimed. The taxpayer for each qualified production  
12          shall file the letter with the taxpayer's tax return for the  
13          qualified production to the department of taxation.

14          Notwithstanding the authority of the department of business,  
15          economic development, and tourism under this section, the  
16          director of taxation may audit and adjust the tax credit amount  
17          to conform to the information filed by the taxpayer."

18          3. By amending subsection (j) to read:

19          "(j) Total tax credits claimed per qualified production  
20          shall not exceed [~~\$15,000,000.~~] \$12,500,000."

21          4. By amending subsection (l) to read:



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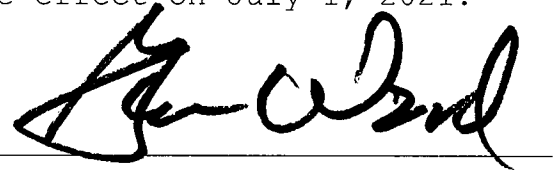
1           "(1) The total amount of tax credits allowed under this  
2 section in any particular year shall be [~~\$35,000,000~~]  
3 \$45,000,000; however, if the total amount of credits applied for  
4 in any particular year exceeds the aggregate amount of credits  
5 allowed for such year under this section, the excess shall be  
6 treated as having been applied for in the subsequent year and  
7 shall be claimed in such year; provided that no excess shall be  
8 allowed to be claimed after December 31, 2025."

9           SECTION 3. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11           SECTION 4. This Act shall take effect on July 1, 2021.

12

INTRODUCED BY:



JAN 22 2021



# H.B. NO. 637

**Report Title:**

Motion Picture, Digital Media, and Film Production Income Tax Credit

**Description:**

Allows greater flexibility in conditions placed on eligibility requirements for the motion picture, digital media, and film production income tax credit. Amends the amount of the total tax credit that may be claimed per qualified production. Amends the annual aggregate cap placed on the amount of the tax credits that may be claimed by qualified productions.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

