

STAND. COM. REP. NO.

466

Honolulu, Hawaii

, 2023

FEB 15

RE: H.B. No. 1314
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred H.B. No. 1314 entitled:

"A BILL FOR AN ACT RELATING TO TAXES,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Require productions to provide evidence of reasonable efforts to comply, rather than actually comply, with all applicable requirements to qualify for the motion picture, digital media, and film production income tax credit; and
- (2) Require taxpayers be given notice of and an opportunity to cure any failure to meet the requirements for the motion picture, digital media, and film production income tax credit.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Honolulu Film Office of the City and County of Honolulu; and Motion Picture Association. Your Committee received comments on this measure from the Department of Taxation, University of Hawai'i System, Tax Foundation of Hawaii, IATSE Local 665, and Island Film Group.

2023-1598 HB1314 HD1 HSCR HMSO



Your Committee finds that Act 217, Session Laws of Hawaii 2022 (Act 217), enacted amendments to the motion picture, digital media, and film production income tax credit, including new requirements regarding an employer's responsibility to withhold and remit general excise taxes for payments made to loan-out corporations for services performed in the state. An employer, or payroll services company on behalf of the employer, cannot remit amounts withheld to the Department of Taxation without a general excise tax identification number provided by the loan-out corporation; therefore, failure of a loan-out corporation to provide the employer or payroll services company with a general excise tax identification number can jeopardize the employer's compliance with the requirements and eligibility for the tax credit. This measure will allow employers to make reasonable efforts to comply with and have an opportunity to rectify any compliance issues to meet the requirements for eligibility for the motion picture, digital media, and film production income tax credit.

Your Committee has amended this measure by:

- (1) Clarifying that the requirements to qualify for the motion picture, digital media, and film production income tax credit, including provisions on notice of and opportunity to cure any failure to meet the requirements for the tax credit, are not to be interpreted as waiving any requirement or extending the time to perform any act required for the tax credit;
- (2) Changing its effective date to June 30, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1314, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1314, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development,

D Holt

DANIEL HOLT, Chair



