

Honolulu, Hawaii

MAR 22 , 2024

RE: S.B. No. 3265
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
S.B. No. 3265, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO FILM INDUSTRY DEVELOPMENT,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Establish the Hawaii Film Advisory Council;
- (2) Amend the Motion Picture, Digital Media, and Film
Production Income Tax Credit to:
 - (A) Amend the aggregate cap amount;
 - (B) Extend the sunset date of the Tax Credit to
January 1, 2039;
 - (C) Clarify the requirements for obtaining an
independent third-party certification for the Tax
Credit;
 - (D) Expand the definition of "qualified production" to
include streaming platforms; and



- (E) Amend the definition of "qualified production costs" to include fashion production and music production costs;
- (3) Provide a general excise tax exemption for certified development of film studio facilities; and
- (4) Appropriate funds for the establishment of one full-time equivalent film industry development liaison position, and associated administrative costs, within the Creative Industries Division of the Department of Business, Economic Development, and Tourism.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; University of Hawai'i System; Honolulu Film Office; Department of Research and Development of the County of Hawai'i; Hawaii Media Inc.; Hawaii State AFL-CIO; SAG-AFTRA Hawaii Local; 'Ohina LLC; Motion Picture Association; Kapolei Chamber of Commerce; IATSE Local 665; Chamber of Commerce Hawaii; Hawai'i International Film Festival; Island Film Group; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that collaboration with the film industry has been of great benefit for Hawaii, helping the State diversify its economy with industry spending currently at \$400,000,000 and economic output at over \$700,000,000 annually. Your Committee further finds that the establishment of a Hawaii Film Advisory Council will strategically position Hawaii as a premier destination for filmmakers, attracting high-profile productions and stimulating economic activity.

Your Committee has amended this measure by:

- (1) Amending the Hawaii Film Advisory Council membership;
- (2) Amending the definition of "qualified production costs" to include costs associated with the creation, design, fashion, and accessories products created by Hawaii businesses for use in the production and costs associated with the contracting and licensing of Hawaii-originated music to be utilized in on-camera use or

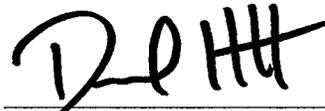


post-production, rather than fashion production and music production costs;

- (3) Deleting language that would have:
 - (A) Provided a general excise tax exemption for certified development of film studio facilities; and
 - (B) Amended the aggregate cap amount for and extended the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit;
- (4) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (5) 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 S.B. No. 3265, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3265, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

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



DANIEL HOLT, Chair



