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## A BILL FOR AN ACT

RELATING TO TAX CREDITS.

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

1 SECTION 1. Section 235-7.3, Hawaii Revised Statutes, is  
2 amended by amending subsection (c) to read as follows:

3 "(c) For the purposes of this section:

4 "Performing arts products" means:

5 (1) Audio files, video files, audiovideo files, computer  
6 animation, and other entertainment products perceived  
7 by or through the operation of a computer; and

8 (2) Commercial television and film products for sale or  
9 license, and reuse or residual fee payments from these  
10 products.

11 "Qualified high technology business" [~~means~~]:

12 (1) Means a business that conducts more than fifty per  
13 cent of its activities in qualified research[~~-~~]; and

14 (2) Does not include any business or production that  
15 qualifies for the motion picture, digital media, and  
16 film production income tax credit under section  
17 235-17.

18 "Qualified research" means:



- 1           (1) The same as in section 41(d) of the Internal Revenue
- 2           Code;
- 3           (2) The development and design of computer software for
- 4           ultimate commercial sale, lease, license or to be
- 5           otherwise marketed, for economic consideration. With
- 6           respect to the software's development and design, the
- 7           business shall have substantial control and retain
- 8           substantial rights to the resulting intellectual
- 9           property;
- 10          (3) Biotechnology;
- 11          (4) Performing arts products;
- 12          (5) Sensor and optic technologies;
- 13          (6) Ocean sciences;
- 14          (7) Astronomy; or
- 15          (8) Nonfossil fuel energy-related technology."

16          SECTION 2. Section 235-17, Hawaii Revised Statutes, is  
17 amended by amending subsection (d) to read as follows:

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

- 19          (1) Meet the definition of a qualified production
- 20             specified in subsection (1);
- 21          (2) Have qualified production costs totaling at least
- 22             \$200,000;



1 (3) Provide the State, at a minimum, a shared-card, end-  
2 title screen credit, where applicable; and

3 (4) [~~Provide evidence of reasonable efforts to hire local~~]  
4 Hire at least seventy five per cent of its talent and  
5 crew[ ~~and~~] from the local community. For the  
6 purposes of this paragraph, "local community" means  
7 persons who reside more than ten months of the year in  
8 the State.

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

15 SECTION 3. Section 235-110.9, Hawaii Revised Statutes, is  
16 amended by amending subsection (g) to read as follows:

17 "(g) As used in this section:

18 "Investment tax credit allocation ratio" means, with  
19 respect to a taxpayer that has made an investment in a qualified  
20 high technology business, the ratio of:

21 (1) The amount of the credit under this section that is,  
22 or is to be, received by or allocated to the taxpayer



1 over the life of the investment, as a result of the  
2 investment; to

3 (2) The amount of the investment in the qualified high  
4 technology business.

5 "Qualified high technology business" [~~means~~]:

6 (1) Means a business, employing or owning capital or  
7 property, or maintaining an office, in this State;  
8 provided that:

9 [~~(1)~~] (A) More than fifty per cent of its total business  
10 activities are qualified research; and provided  
11 further that the business conducts more than  
12 seventy-five per cent of its qualified research  
13 in this State; or

14 [~~(2)~~] (B) More than seventy-five per cent of its gross  
15 income is derived from qualified research; and  
16 provided further that this income is received  
17 from:

18 [~~(A)~~] (i) Products sold from, manufactured in, or  
19 produced in this State; or

20 [~~(B)~~] (ii) Services performed in this State~~[-]~~; and

21 (2) Does not include any business or production that  
22 qualifies for the motion picture, digital media, and



1           film production income tax credit under section  
2           235-17.

3           "Qualified research" means the same as defined in section  
4 235-7.3."

5           SECTION 4. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7           SECTION 5. This Act shall take effect upon its approval  
8 and shall apply to taxable years beginning after December 31,  
9 2007.

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INTRODUCED BY: Karl Rhoads

JAN 15 2008



**Report Title:**

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

**Description:**

Requires 75% local hire to qualify for the motion picture, digital media, and film production tax credit and excludes media productions from the definition of "qualified high technology business".

