STAND. COM. REP. NO. 1299 -08

Honolulu, Hawaii

Menh 20, 2008

RE: S.B. No. 2273

S.D. 2 H.D. 2

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fourth State Legislature Regular Session of 2008 State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 2273, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO DIGITAL MEDIA,"

begs leave to report as follows:

The purpose of this bill is to bring greater accountability to claims for the Motion Picture, Digital Media, and Film Production Income Tax Credit (Film Tax Credit) by expanding limitations on claiming this tax credit by:

(1) Prohibiting:

- (A) Qualified production costs that are financed by public funds from the State from eligibility for the Film Tax Credit; and
- (B) After June 30, 2008, taxpayers from claiming the Film Tax Credit for qualified productions that are financed, in whole or in part, by investments for which a credit has been claimed by the taxpayer as a qualified high technology business under the High Technology Business Investment Tax Credit
- (2) Requiring the Department of Labor and Industrial Relations (DLIR) to establish an advisory group to conduct a study on the issues relating to the hiring

SB2273 HD2 HSCR LAB HMS 2008-3211

practices of motion picture, digital media, and film productions in Hawaii, including consideration of ways to promote local hiring; and

(3) Appropriating funds to pay for expenses related to the study conducted by the advisory group.

The Department of Business, Economic Development, and Tourism, Department of Taxation, and Hawaii Film and Entertainment Board supported the intent of this bill. A concerned individual testified in opposition to this measure. DLIR opposed this measure in part. The Tax Foundation of Hawaii submitted comments.

The High Technology Investment Tax Credit and the 15-20 percent Refundable Motion Picture, Digital Media, and Film Production Income Tax Credit were established to promote economic development, especially in the film industry. However, concerns have been raised about "double dipping," or taking advantage of both tax credits for the same project. This measure attempts to prevent this.

Your Committee has amended this bill by deleting the provisions that:

- (1) Prohibited taxpayers from claiming the Film Tax Credit for qualified productions that are financed, in whole or in part, by investments for which a credit has been claimed by the taxpayer as a qualified high technology business under the High Technology Business Investment Tax Credit after June 30, 2008; and
- (2) Appropriated funds to pay for expenses related to the study conducted by the advisory group.

Your Committee has further amended this measure by:

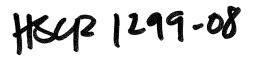
- (1) Changing its effective date to July 1, 2059; and
- (2) Making other technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2273, S.D. 2, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as S.B. No. 2273, S.D. 2, H.D. 2.

Respectfully submitted on behalf of the members of the Committee on Labor & Public Employment,

ALEX M. SONSON, Chair

State of Hawaii House of Representatives The Twenty-fourth Legislature



Record of Votes of the Committee on Labor & Public Employment

	Committee Referral: TAC/EDB, LAB,	FIN Date	: 3/18/c	8
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. SONSON, Alex M. (C)				
2 NAKASONE Pob (VC)				
2. NAKASONE, Bob (VC)				
3. EVANS, Cindy				
4. HAR, Sharon E.				
5. LEE, Marilyn B.				
6. LUKE, Sylvia				
7. McKELVEY, Angus L.K.				
8. NISHIMOTO, Scott Y.				
9. SOUKI, Joseph M.				
9. SOUKI, Joseph W.				
10. TAKAMINE, Dwight Y.				
11 TAVIMI D. M			Constitution Committee and the selection of	
11. TAKUMI, Roy M.				
12. MEYER, Colleen Rose		V		
13. PINE, Kymberly Marcos		<u> </u>	-	<i>V</i>
TOTAL (13)	6		0	6
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: Jusy Mont				
Distribution: Original (White) Committee Duplicate (Yellow) – Chief Clerk's Office				