

JAN 20 2012

S.B. NO. 2464

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to promote the
2 motion picture, digital media, and film production industry in
3 Hawaii by establishing a wage tax credit of up to \$10,000 per
4 employee to provide:

5 (1) An effective tax incentive for local independent
6 filmmakers who need to raise investor financing, in
7 contrast to fully funded studio films that seek to
8 reduce the cost of production;

9 (2) A greater number of jobs and training for local film
10 industry workers by limiting the tax credit to the
11 first \$10,000 in wages, and excluding expenses such as
12 travel, hotel, per diem, and car rental; and

13 (3) Ease of review and transparency through the use of
14 state payroll reports to support tax credit claims.

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

17 "(a) Any law to the contrary notwithstanding, there shall
18 be allowed to each taxpayer subject to the taxes imposed by this



chapter, an income tax credit which shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed. The amount of the credit shall be:

(1) Either:

(A) Fifteen per cent of the qualified production costs incurred by a qualified production in any county of the State with a population of over seven hundred thousand; or

~~[(+2)]~~ (B) Twenty per cent of the qualified production costs incurred by a qualified production in any county of the State with a population of seven hundred thousand or less~~[-]~~; or

(2) One hundred percent of the first \$10,000 of wages, as shown on a W-2 wage and tax statement, paid to an individual as a qualified production cost under subsection (1) incurred by a qualified production in any county of the State.

A qualified production occurring in more than one county may prorate its expenditures based upon the amounts spent in each county, if the population bases differ enough to change the percentage of tax credit.



1 In the case of a partnership, S corporation, estate, or
2 trust, the tax credit allowable is for qualified production
3 costs incurred by the entity for the taxable year. The cost
4 upon which the tax credit is computed shall be determined at the
5 entity level. Distribution and share of credit shall be
6 determined by rule.

7 If a deduction is taken under section 179 (with respect to
8 election to expense depreciable business assets) of the Internal
9 Revenue Code of 1986, as amended, no tax credit shall be allowed
10 for those costs for which the deduction is taken.

11 The basis for eligible property for depreciation of
12 accelerated cost recovery system purposes for state income taxes
13 shall be reduced by the amount of credit allowable and claimed."

14 SECTION 3. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2012;
17 provided that:

18 (1) Section 2 of this Act shall apply to qualified
19 production costs incurred on or after January 1, 2012,
20 and before January 1, 2016; and

21 (2) This Act shall be repealed on January 1, 2016, and
22 section 235-17, Hawaii Revised Statutes, shall be



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reenacted in the form in which it read on the day
before the effective date of Act 88, Session Laws of
Hawaii 2006.

INTRODUCED BY:

Carol Fukumaga



S.B. NO. 2464

Report Title:

Taxation; Film and Digital Media; Wage Tax Credit

Description:

Provides for a tax credit of one hundred percent of the first \$10,000 of wages, as shown on a W-2 wage and tax statement, and paid to an individual as a qualified production cost incurred by a qualified production in any county of the State; applies to qualified production costs incurred on or after 1/1/2012, and before 1/1/2016; repeals on 1/1/2016.

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