

**DAVID Y. IGE**  
GOVERNOR

**SHANTSUTSUI**  
LT. GOVERNOR



**STATE OF HAWAII**  
**DEPARTMENT OF TAXATION**

P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

**MARIA E. ZIELINSKI**  
DIRECTOR OF TAXATION

**JOSEPH K. KIM**  
DEPUTY DIRECTOR

To: The Honorable Glenn Wakai, Chair  
and Members of the Senate Committee on Economic Development, Environment,  
and Technology

Date: March 16, 2016  
Time: 1:20 P.M.  
Place: Conference Room 414, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: H.B. 2088, H.D. 1, Relating to Film Media Industry Development.

The Department of Taxation (Department) supports the intent of H.B. 2088, H.D. 1, and offers the following comments for your consideration.

H.B. 2088, H.D. 1, amends Act 88, Session Laws of Hawaii (SLH) 2006, which was amended by Act 89, SLH 2013, by extending the sunset date of the motion picture, digital media, and film production income tax credit (film tax credit) for qualified production costs incurred on or before January 1, 2019, to qualified production costs incurred on or before January 1 of an unspecified year. H.B. 2088, H.D. 1, has a defective effective date of July 1, 2030.

The Department is able to implement this measure, and notes the importance of the Hawaii Film Office's role in the administration of the film tax credit. The Hawaii Film Office acts as a gatekeeper of the film tax credit, by pre-qualifying productions, certifying qualified production costs, and certifying the amount of film tax credits claimed by qualified productions for each taxable year. The Department supports a continued partnership with the Hawaii Film Office in the administration of the film tax credit.

Thank you for the opportunity to provide comments.



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE  
GOVERNOR

LUIS P. SALAVERIA  
DIRECTOR

MARY ALICE EVANS  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Web site: [dbedt.hawaii.gov](http://dbedt.hawaii.gov)

Telephone: (808) 586-2355  
Fax: (808) 586-2377

Statement of  
**Luis P. Salaveria**  
Director

Department of Business, Economic Development, and Tourism  
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, ENVIRONMENT, AND  
TECHNOLOGY**

Wednesday, March 16, 2016  
1:20 PM  
State Capitol, Conference Room 414

In consideration of  
**HB2088 HD1**  
**RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT.**

Chair Wakai, Vice Chair Slom, and Members of the Senate Committee on  
Economic Development, Environment, and Technology.

The Department of Business, Economic Development and Tourism  
(DBEDT) supports HB2088 HD1, which would extend the sunset date of the  
Motion Picture, Digital Media, and Film Production Income Tax Credit program.

Act 88/89, which was established in July 2006 and enhanced in 2013, has  
met the goals intended by the Legislature to ensure Hawaii's competitive  
advantage in the industry. To date, the program has generated an estimated  
\$3.7 billion in overall economic activity in the State since 2006, creating an  
average of 2,500 industry jobs annually.

DBEDT supports extension of the sunset date because we believe that  
extending the credit program sends the strongest message to the industry that  
Hawaii is committed to growing film and digital media activity to become an  
even greater driver of our State's economy. Certainly extending the sunset date  
provides industry with stability and the predictability necessary for planning  
purposes. Hawaii must take this step in order to remain competitive on a global  
scale.

Thank you for the opportunity to testify on this measure.

**Bernard P. Carvalho, Jr.**  
Mayor



**George K. Costa**  
Director

**Nadine Nakamura**  
Managing Director

**OFFICE OF ECONOMIC DEVELOPMENT**

**County of Kaua'i, State of Hawai'i**

4444 Rice Street, Suite 200, Līhu'e, Hawai'i 96766  
TEL (808) 241-4946 FAX (808) 241-6399

**Senate Economic Development, Environment and Technology Committee**

**Wednesday, March 16 2016**

**1:20 PM**

**Conference Room 414**

**HB2088 HD1**

**Relating to Film And Digital Media Industry Development**

March 15, 2016

Honorable Senator Glenn Wakai, Chair  
Economic Development, Environment and Technology Committee  
Honorable Senator Sam Slom, Vice Chair and Committee members  
Hawaii State Senate  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Aloha Chair Wakai, Vice Chair Slom and Members,

The County of Kaua'i **supports** this legislation that extends the Motion Picture, Digital Media, and Film Production Income Tax Credit for an additional 5 years.

We concur with the State Department of Business Economic Development & Tourism and others who have testified in support of this bill including:

- CBS Corporation/Hawaii 5-0 Cast and Crew members
- NBC Universal Studios Media LLC
- Screen Actors Guild & American Federation of Television and Radio Artists (SAG-AFTRA Hawaii Local)
- International Alliance of Theatrical Stage Employees (I.A.T.S.E. Local 665)
- American Federation of Musicians Local 677 (A.F.M.) and
- Hawaii Teamsters & Allied Workers Local 996

The County of Kauai over the years have benefitted with the state by having this tax credit and incentive. Much more importantly, is that this legislation does indeed send a message to the global industry that Hawaii is open and supportive of this business sector thus welcoming all to consider Hawaii's state and county facilities as well as private places for film-related projects.

**Testimony**

**Senate Economic Development, Environment and Technology Committee**

**Page 2 of 2**

Although Kaua'i is the smallest of the counties, we fortunately have had the benefit of a growing film industry that has had an 80+ year history and tradition of film making. Recent blockbusters such as Jurassic Park, Pirates of the Caribbean, Avatar and Descendants to name a few have used iconic locations throughout our Garden Island and thus contributed to our economic and workforce development as well as a strong tourism brand for destination tourism.

Any smart and strategic incentive translates into our island's capacity to deliver high quality location opportunities that also adds to our residents' pride of Kaua'i gracing screens, televisions and other technologies for Kaua'i as both a location and place to visit.

Mahalo for your consideration and the opportunity to testify.

Aloha,



Randall Francisco  
Creative Industries (Film) Specialist  
Office of Economic Development  
County of Kaua'i



George K. Costa  
Director  
Office of Economic Development  
County of Kaua'i



# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extend Movie/TV Production Tax Credit

BILL NUMBER: HB 2088, HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Extends the motion picture, television, and digital media production credit for an unspecified duration. It may be possible to make the case that the benefits have outweighed the costs, and proponents of this measure should be given the chance to put the proof into their pudding.

BRIEF SUMMARY: Amends Act 89, SLH 2013, and Act 88, SLH 2006, to extend the sunset date of the credit in HRS section 235-17, so that the credit is repealed on \_\_\_\_.

EFFECTIVE DATE: July 1, 2030.

STAFF COMMENTS: Act 107, SLH 1997, enacted an income tax credit of 4% for costs incurred as a result of producing a motion picture or television film in the state and 7.25% for transient accommodations rented in connection with such activity. The credit was adopted largely to address the impost of the state's general excise tax on goods and services used by film producers. Act 88, SLH 2006, increased the 4% credit to 15% in a county with a population over 700,000 and to 20% in a county with a population of 700,000 or less. Act 88 also repealed the income tax credit for transient accommodations and expanded the credit to include commercials and digital media productions, and limited the credit to \$8 million per qualified production. Act 89, SLH 2013, increased the motion picture, digital media, and film production tax credit from 15% to 20% for the costs incurred in a county with a population over 700,000 and from 20% to 25% for costs incurred in a county with a population of 700,000 or less; and increased the total tax credits that may be claimed per qualified production from \$8 million to \$15 million. The act also extended the motion picture, digital media and film production credit from 12/31/15 to 12/31/18.

In testimony before the House Committee on Finance, the Department of Taxation estimated that the revenue impact of this credit is a \$45 million per year loss in income tax revenue.

Sponsors try to make an argument that Hawaii needs to enact such incentives to compete for this type of business, but one has to ask, "At what price?" There are insufficient resources to catch up on the backlog of school repairs and maintenance, to fund social programs and not being able to provide tax relief to residents. Yet lawmakers are willing to subsidize film production, as proposed in this measure, and tighten the screws on everyone else to fund the subsidies.

While film producers may moan that they will lose money without the proposed tax credits, how do they share the wealth when the film makes millions? If promoters of the film industry would just do their job in outlining the advantages of doing this type of work in Hawaii and address

some of the costly barriers by correcting them, Hawaii could be a competitive film destination with fewer tax incentives. From permitting to skilled labor to facilitating transportation of equipment, there are ways to address the current drawbacks of filming in Hawaii. Unless these intrinsic elements are addressed, movie makers will probably demand subsidies, such as this incentive. Unfortunately, they come at the expense of all taxpayers and industries struggling to survive in Hawaii.

Certainly, the film industry promises increased opportunities. Some of them certainly have materialized. But chasing these opportunities needs to be balanced against the cold hard reality of solving the problems at hand. Lawmakers need to ask whether production tax credits create sustainable economic development. It's well known that most productions shoot for a while and then wrap; the crew that supports the production then jumps to the next one. A case may be made for the production credits if they keep the productions rolling in and contributing to the economy. But the people need to see that case. If not, the resources that are now directed to the credits could instead lower the overall tax burden not only for families but for the businesses that provide long-term employment for Hawaii's people.

Digested 3/11/2016



The Senate  
The Twenty-Eighth Legislature  
Regular Session of 2016

Committee on Economic Development, Environment and Technology  
Senator Glenn Wakai, Chair  
Senator Sam Slom, Vice Chair

RE: HB 2088, HD1 - RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT

Date: Wednesday, March 16, 2016

Time: 1:20 p.m.

Conference Room 414

State Capitol, 415 South Beretania Street, Honolulu, HI

Aloha Chair Wakai, Vice Chair Slom and Members of the Committee,

We are representatives of the film and entertainment industry unions, Brenda Ching, SAG-AFTRA Hawaii Local, Henry Fordham, I.A.T.S.E. Local 665, Steve Pearson, American Federation of Musicians' Local 677 and Wayne Kaululaau, Hawaii Teamsters & Allied Workers Local 996. Together we represent over 1600 members working in film, television and new media productions as performers, crew, musicians and drivers in Hawaii.

We support HB 2088, HD1 and strongly believe that a five year extension is not sufficient time for companies to make a long term investment and commitment in Hawaii's film, digital and media industry. Therefore, we would like you to consider an extension beyond five years and consider a minimum of ten years.

The film industry is a *unique* and *creative* industry. At its core, it promotes Hawaii, provides jobs and business opportunities for a broad spectrum of local companies. It continues to be a good business and economic driver for the State.

We appreciate the legislature's strong support of the industry and hope you would consider our recommendation of ten years.

Thank you for giving us the opportunity to offer testimony on HB 2088, HD1.

Brenda Ching  
Executive Director  
SAG-AFTRA Hawaii

Henry Fordham  
Business Agent  
I.A.T.S.E. Local 665

Steve Pearson  
President  
A.F.M. Local 677

Wayne Kaululaau  
Assistant Business Agent  
Teamsters Local 996



**MOTION PICTURE ASSOCIATION OF AMERICA**  
**TESTIMONY IN SUPPORT**  
**OF HAWAII HOUSE BILL 2088**  
**BEFORE THE SENATE COMMITTEE**  
**ON ECONOMIC DEVELOPMENT, ENVIRONMENT & TEHCNOLOGY**

Wednesday, March 16, 2016

State Capitol

Honolulu

Good morning Mister Chairman and members of the committee. My name is Vans Stevenson. I am Senior Vice President of State Government Affairs for the Motion Picture Association of America. Our members include the leading producers and distributors of television programs and motion pictures worldwide. In addition to CBS, which as you are well aware produces the locally based Hawaii 5-0 television series; MPAA members include Disney, Fox, Paramount, NBC Universal, Sony Pictures and Warner Bros.

Thank you for the opportunity to testify in support of Hawaii House Bill 2088, which extends Hawaii's production tax incentive program for five years.

Extending the production tax credit, provides enhanced stability and predictability for motion picture and television producers who want to bring projects to Hawaii. This, in turn, extends Hawaii's economic reach into the world. Both the state and the industry will benefit.

Today, cost is the single most important factor for a producer in determining where a project will be located. Hawaii competes, successfully against other states, as well as nations worldwide, in attracting its share of motion picture and television productions.

The vision of the Hawaii legislature to create jobs and stimulate the economy is being realized by attracting Hawaii 5-0 and sustaining the production, which is now in its sixth season. The series currently employs 300 cast and crew members



and about 250 local background performers per episode. In addition, Hawaii has been the location recently for "Jurassic World," "Aloha" (scheduled for release from Sony pictures this year), "Godzilla" and "The Hunger Games"...just to name a few.

Hawaii House Bill 2088 enhances that stability and paves the way for 5-0 in future years upon renewal, as well as, potentially, new television series and motion picture productions.

In addition to stimulating the economy, which is estimated to be \$400 million total spend over the past five years, and this year will be an additional \$87 million dollars, Hawaii 5-0 has been a Hawaiian showcase that has also stimulated tourism to the islands from visitors around the world. 5-0 is not only popular in the US; it has found enormous audiences worldwide.

Mister Chairman and members of the committee, we urge you to approve House Bill 2088. On behalf of MPAA and our member company studios and television companies, we look forward to the continuation of a long and successful partnership with Hawaii, and being part of your welcoming and dynamic community for years to come.

**CBS CORPORATION STATEMENT IN SUPPORT**  
**OF HAWAII HOUSE BILL 2088**  
**BEFORE THE SENATE COMMITTEE**  
**ON ECONOMIC DEVELOPMENT, ENVIRONMENT AND TECHNOLOGY**

**Wednesday, March 16, 2016**

**State Capitol**

**Honolulu**

GOOD MORNING MISTER CHAIRMAN AND MEMBERS OF THE COMMITTEE. MY NAME IS JEFF DOWNER. I AM THE CO-EXECUTIVE PRODUCER OF HAWAII FIVE-O, WHICH AIRS ON CBS. AS YOU KNOW CBS PRODUCES, BROADCASTS AND DISTRIBUTES WORLDWIDE THE POPULAR TELEVISION SERIES HAWAII 5-0, NOW IN ITS SIXTH YEAR HERE IN THE ALOHA STATE.

ON BEHALF OF CBS AND ALL 300 5-0 CAST AND CREW MEMBERS, WE ENTHUSIASTICALLY SUPPORT HOUSE BILL 2088. THIS LEGISLATION WILL EXTEND THE PRODUCTION TAX INCENTIVE PROGRAM FOR FIVE YEARS.

BY EXTENDING THE PROGRAM, THE LEGISLATURE WILL CREATE FURTHER STABILITY AND PREDICTABILITY TO ONE OF THE MOST SUCCESSFUL AND COMPETITIVE INCENTIVE PROGRAMS IN THE UNITED STATES AND WELL AS WORLDWIDE.

COST, AS WELL AS PRODUCTION INCENTIVE PROGRAM STABILITY AND LONGEVITY, ARE THE THREE MOST IMPORTANT FACTORS IN DETERMINING WHERE A TELEVISION SERIES WILL BE PRODUCED. THE VISION OF THE HAWAII LEGISLATURE TO CREATE JOBS AND STIMULATE THE ECONOMY HAS BEEN REALIZED BY ATTRACTING HAWAII 5-0 AND SUSTAINING THE PRODUCTION, WHICH IS NOW IN ITS SIXTH

SEASON. THE SERIES CURRENTLY EMPLOYS 300 CAST AND CREW MEMBERS AND ABOUT 250 LOCAL BACKGROUND PERFORMERS AN EPISODE.

HB 2088 ENHANCES THAT STABILITY AND PAVES THE WAY FOR 5-0 IN FUTURE YEARS UPON RENEWAL, AS WELL AS POTENTIALLY NEW TELEVISION SERIES.

IN ADDITION TO STIMULATING THE ECONOMY, WHICH IS ESTIMATED IN \$400 MILLION TOTAL SPEND OVER THE PAST FIVE YEARS, AND THIS YEAR WILL BE AN ADDITIONAL \$87 MILLION DOLLARS, HAWAII 5-0 HAS BEEN AN HAWAIIAN SHOWCASE THAT HAS ALSO STIMULATED TOURISM TO THE ISLANDS FROM VISITORS AROUND THE WORLD. 5-0 IS NOT ONLY POPULAR IN THE U.S., IT HAS FOUND ENORMOUS AUDIENCES WORLDWIDE.

THIS MARCH, HAWAII 5-0 WILL BE HONORED BY THE SCHOOL OF TRAVEL AND INDUSTRY MANAGEMENT FOR THE CRITICAL ROLE THE SHOW PLAYS PROMOTING TOURISM FOR THE STATE OF HAWAII SINCE 1968 BY SHOWCASING THE BEAUTIFUL CULTURE AND LANDSCAPE TO TELEVISION SETS ACROSS THE WORLD.

ON BEHALF OF CBS WE LOOK FORWARD TO A CONTINUATION OF ITS PARTNERSHIP WITH HAWAII, AND BEING A MEMBER OF THE COMMUNITY FOR YEARS TO COME.



**TESTIMONY OF NBC UNIVERSAL MEDIA, LLC. IN SUPPORT OF  
H.B. NO. 2088, HD 1, RELATING TO FILM AND DIGITAL MEDIA INDUSTRY  
DEVELOPMENT**

DATE: Wednesday, March 16, 2016

TIME: 1:20 pm

Room: 414

To: Chairman Glenn Wakai and Members of the Senate Committee on Economic Development, Environment, and Technology:

The purpose of this bill is to extend the qualified production tax credit from December 31, 2018 to December 31, 2024, a period of five years. The original legislation which was passed in 2013 and signed into law as Act 89, which increased the film tax credit by 5% and is set to sunset on January 1, 2019.

The House Finance committee “blanked out” the extension dates in order to encourage more discussion. NBC Universal Media, LLC (“NBCUniversal”) reconfirms its position that it favors an extension of at least five years to 2024 and joins other film and TV companies in supporting the original bill which extends the sunset date to January 1, 2024.

This will enable the film industry and producers to plan accordingly and to be assured that the film tax credit will survive for the next eight years. The planning, development and actual production of a film and televisions series takes several years to develop. NBCUniversal together with other film and TV producers in the industry feel that an extended sunset date will foster the continued growth and provide for predictability and certainty of the film and media industry in Hawaii.

NBCUniversal develops, produces, broadcasts and distributes motion pictures, television programs and related content around the world. Over the last several years the

Hawaii Legislature and the people of Hawaii have developed a clear consensus that the motion picture, television and related digital media industries (the “Film Industry”) in Hawaii has become an important component of a diversified economy and has had a positive financial impact on the State of Hawaii which can be strengthened significantly if Hawaii’s existing incentives for the Film Industry are continued.

While Hawaii may be perceived as a highly desirable destination that would instinctively attract the Film Industry, the State needs to take affirmative steps to ensure Hawaii is at the top of the list and not left behind in the wake of other domestic and international locales. SB 2790 will help to ensure that Hawaii is competitive with film destinations around the globe and does so in a manner that is sustainable and rational for the long term. NBCUniversal stands ready to work with the Hawaii Legislature, the Administration and local Film Industry stakeholders to continue, improve and enhance Hawaii’s film incentive program to help build a predictable, robust, stable and sustainable Film Industry in the State of Hawaii.

NBCUniversal feels that as a result of the various film and television productions that the Film Industry has brought to Hawaii, there has been a significant increase in spending within the state and growth in workforce development due to these film and television productions. Further, such productions stimulate more direct and indirect tax revenue and that a properly designed tax incentive program can actually increase local tax revenues.

NBCUniversal strongly feels that in order to stimulate such dramatic growth it is necessary to continue Hawaii’s existing tax incentive program in order to allow Hawaii to effectively compete internationally with other film production centers in attracting a

greater number of significant projects to the islands and to continue to build Hawaii's local film industry.

We feel that this bill will accomplish these goals.

The Film Industry also has a strong desire to hire locally and invest in the training and workforce development of island-based personnel and intends to continue the practice of hiring a significant number of residents and to support training and opportunities for those residents. This was all highlighted in the recent report prepared by the Hawaii Film Office, Department of Business, Economic Development and Tourism on December 30, 2015.

Again like others in the film and television industry, NBCUniversal supports this bill relating to the qualified production tax credit and advocates for extension of the sunset date.

Thank you for the opportunity to present this testimony in support of this bill.

If you have any further questions, please feel free to contact Bob Toyofuku of Advocates (808) 554-0852 or Ron Orlando of Comcast NBCUniversal (215) 823-9463.