

STAND. COM. REP. NO.

432

Honolulu, Hawaii

February 16, 2017

RE: H.B. No. 423
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 423 entitled:

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

begs leave to report as follows:

The purpose of this measure is to amend the Motion Picture, Digital Media, and Film Production Income Tax Credit (Film Tax Credit) by:

- (1) Providing an additional Film Tax Credit option of 35 percent of qualified production costs in a county with a population of 700,000 or less; provided that at least 55 percent of the crew is hired locally;
- (2) Requiring the taxpayer to verify the county of residence of local hires; and
- (3) Extending the Film Tax Credit to January 1, 2024.

The Hawaii State AFL-CIO, Screen Actors Guild-American Federation of Television and Radio Artists Hawaii, International Alliance of Theatrical Stage Employees Local 665, American Federation of Musicians Local 677, Hawaii Teamsters & Allied Workers Local 996, Island Film Group, Makaha Studios and two concerned individuals supported this bill. The Department of Business, Economic Development and Tourism (DBEDT), Department of

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Taxation, Office of the Auditor, and Tax Foundation of Hawaii submitted comments.

Your Committee has amended this measure by:

- (1) Substituting a ten percent tax credit option for payroll costs of local hires for the tax credit option of 35 percent of qualified production costs;
- (2) Granting a taxpayer the option of providing the State alternative marketing opportunities as a condition of claiming the credit and updating reporting requirements accordingly;
- (3) Requiring evidence of reasonable efforts to hire local personnel and acquire products and services locally as a condition of claiming the credit;
- (4) Requiring a verification review of the information submitted to DBEDT to determine the credit amount;
- (5) Amending the effective date to July 1, 2038, to facilitate further discussion; and
- (6) Making technical, nonsubstantive amendments for consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 423, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 423, H.D. 1, and be referred to your Committee on Finance.

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



MARK M. NAKASHIMA, Chair



