

JAN 25 2017

A BILL FOR AN ACT

RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT.

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

1 SECTION 1. The legislature finds that the film industry in
2 Hawaii is an important component of a diversified economy. The
3 legislature also finds that the motion picture, digital media,
4 and film production income tax credit has been effective in
5 stimulating the economy and creating quality jobs in a clean
6 industry, while promoting Hawaii as a visitor destination.

7 The legislature further finds that the film production
8 process can extend over several years due to extensive planning
9 and development in the preproduction stage. The motion picture,
10 digital media, and film production income tax credit's current
11 sunset date of January 1, 2019, will discourage new productions
12 that may be in the development and preproduction phases at that
13 point in time.

14 The legislature further finds that extending the motion
15 picture, digital media, and film production income tax credit
16 for an additional five years will provide stability and economic
17 incentive predictability for the film industry. The legislature



1 believes that the extension would enable Hawaii to remain
2 competitive, and comparable to other jurisdictions, in
3 attracting qualified productions that generate additional
4 revenue, jobs, and tourism marketing exposure.

5 The purpose of this Act is to amend the motion picture,
6 digital media, and film production income tax credit by:

- 7 (1) Providing an additional credit amount for qualified
8 production costs in a county with a population of
9 seven hundred thousand or less, provided that certain
10 hiring criteria are met;
- 11 (2) Requiring the taxpayer to verify the county of
12 residence of local hires; and
- 13 (3) Extending the repeal of the credit until January 1,
14 2024.

15 SECTION 2. Section 235-17, Hawaii Revised Statutes, is
16 amended as follows:

17 1. By amending subsection (a) to read:

18 "(a) Any law to the contrary notwithstanding, there shall
19 be allowed to each taxpayer subject to the taxes imposed by this
20 chapter, an income tax credit that shall be deductible from the
21 taxpayer's net income tax liability, if any, imposed by this



1 chapter for the taxable year in which the credit is properly
2 claimed. The amount of the credit shall be:

3 (1) Twenty per cent of the qualified production costs
4 incurred by a qualified production in any county of
5 the State with a population of over seven hundred
6 thousand; [~~or~~]

7 (2) Twenty-five per cent of the qualified production costs
8 incurred by a qualified production in any county of
9 the State with a population of seven hundred thousand
10 or less [-]; or

11 (3) Thirty-five per cent of the qualified production costs
12 incurred by a qualified production in any county of
13 the State with a population of seven hundred thousand
14 or less; provided that:

15 (A) At least fifty-five per cent of the production's
16 crew shall be hired from the county in which the
17 qualified production costs are incurred; and

18 (B) This requirement shall not apply to hired
19 individuals who principally add to the creative
20 direction, process, voice, and narrative of the



1 production, including the screenwriter, producer,
2 and on-camera, microphone, or voice-over talent.

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

7 In the case of a partnership, S corporation, estate, or
8 trust, the tax credit allowable is for qualified production
9 costs incurred by the entity for the taxable year. The cost
10 upon which the tax credit is computed shall be determined at the
11 entity level. Distribution and share of credit shall be
12 determined by rule.

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

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

20 2. By amending subsection (h) to read:



1 "(h) Every taxpayer claiming a tax credit under this
2 section for a qualified production shall, no later than ninety
3 days following the end of each taxable year in which qualified
4 production costs were expended, submit a written, sworn
5 statement to the department of business, economic development,
6 and tourism, identifying:

- 7 (1) All qualified production costs as provided by
8 subsection (a), if any, incurred in the previous
9 taxable year;
- 10 (2) The amount of tax credits claimed pursuant to this
11 section, if any, in the previous taxable year; and
- 12 (3) The number of total hires versus the number of local
13 hires by category and by county[-]; provided that the
14 taxpayer shall verify the county of residence of local
15 hires.

16 This information may be reported from the department of
17 business, economic development, and tourism to the legislature
18 in redacted form pursuant to subsection (i)(4)."

19 SECTION 3. Act 88, Session Laws of Hawaii 2006, as amended
20 by Act 89, Session Laws of Hawaii 2013, is amended by amending
21 section 4 to read as follows:



1 "SECTION 4. This Act shall take effect on July 1, 2006;
2 provided that:

3 (1) Section 2 of this Act shall apply to qualified
4 production costs incurred on or after July 1, 2006,
5 and before January 1, [~~2019,~~] 2024; and

6 (2) This Act shall be repealed on January 1, [~~2019,~~] 2024;
7 and section 235-17, Hawaii Revised Statutes, shall be
8 reenacted in the form in which it read on the day
9 before the effective date of this Act."

10 SECTION 4. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 5. This Act shall take effect upon its approval.

13

INTRODUCED BY: _____

~~SEN. D.C. AICHI-AGAMA~~
SEN. D.C. AICHI-AGAMA

ALAN GIL

WILL ZYU



S.B. NO. 1060

Report Title:

Film; Digital Media Industry; Tax Credit

Description:

Amends the Motion Picture, Digital Media, and Film Production Income Tax Credit by providing an additional credit amount for qualified production costs in a county with a population of 700,000 or less, provided that certain hiring criteria are met; requiring the taxpayer to verify the county of residence of local hires; and extending the repeal of the credit until January 1, 2024.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

