

JAN 25 2017

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# A BILL FOR AN ACT

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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 from choosing to film in Hawaii.

14      The purpose of this Act is to:

- 15      (1) Extend the sunset date of the motion picture, digital  
16              media, and film production income tax credit to  
17              January 1, 2024; and



(2) Provide stability and predictable economic incentives for the film industry so Hawaii remains competitive with other jurisdictions in attracting qualified productions that will generate additional revenue, jobs, and tourism marketing exposure.

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

1. By amending subsection (d) to read:

"(d) To qualify for this tax credit, a production shall:

(1) Meet the definition of a qualified production specified in subsection (1);

(2) Have qualified production costs totaling at least \$200,000;

(3) Provide the State~~[,at]~~ a qualified Hawaii promotion, which shall be:

(A) At a minimum, a shared-card, end-title screen credit, where applicable; or

(B) Alternative marketing opportunities, approved by the department of business, economic development, and tourism, that offer equal or greater



1                   promotional value to the State than the shared-  
2                   card, end-title screen credit;

3           (4)   Provide evidence of reasonable efforts to hire local  
4           talent and crew; [~~and~~]

5           (5)   Provide evidence when making any claim for products or  
6           services acquired or rendered outside this State that  
7           reasonable efforts were unsuccessful to secure and use  
8           comparable products or services within this State; and

9           ~~[(+5)]~~ (6)   Provide evidence of financial or in-kind  
10           contributions or educational or workforce development  
11           efforts, in partnership with related local industry  
12           labor organizations, educational institutions, or  
13           both, toward the furtherance of the local film and  
14           television and digital media industries."

15           2.   By amending subsections (h) and (i) to read:

16           "(h)   Every taxpayer claiming a tax credit under this  
17           section for a qualified production shall, no later than ninety  
18           days following the end of each taxable year in which qualified  
19           production costs were expended, submit a written, sworn  
20           statement to the department of business, economic development,  
21           and tourism, together with a verification review by a qualified



1 certified public accountant using procedures prescribed by the  
2 department of business, economic development, and tourism,  
3 identifying:

4 (1) All qualified production costs as provided by  
5 subsection (a), if any, incurred in the previous  
6 taxable year;

7 (2) The amount of tax credits claimed pursuant to this  
8 section, if any, in the previous taxable year; and

9 (3) The number of total hires versus the number of local  
10 hires by category and by county.

11 This information may be reported from the department of  
12 business, economic development, and tourism to the legislature  
13 in redacted form pursuant to subsection (i)(4).

14 (i) The department of business, economic development, and  
15 tourism shall:

16 (1) Maintain records of the names of the taxpayers and  
17 qualified productions thereof claiming the tax credits  
18 under subsection (a);

19 (2) Obtain and total the aggregate amounts of all  
20 qualified production costs per qualified production  
21 and per qualified production per taxable year;



(3) Provide a letter to the director of taxation specifying the amount of the tax credit per qualified production for each taxable year that a tax credit is claimed and the cumulative amount of the tax credit for all years claimed; and

(4) Submit a report to the legislature no later than twenty days prior to the convening of each regular session detailing ~~the~~:

(A) The non-aggregated qualified production costs that form the basis of the tax credit claims and expenditures, itemized by taxpayer, in a redacted format to preserve the confidentiality of the taxpayers claiming the credit[-]; and

(B) The marketing opportunities the department of business, economic development, and tourism has approved under subsection (d)(3)(B), including:

(i) The goals and strategy justifying each approved marketing opportunity, pursuant to the provisions of subsection (d)(3)(B); and

(ii) The names of all production companies who opted to include a shared-card, end-title



1                   screen credit in their final production  
2                   instead of offering the State an alternative  
3                   marketing proposal.

4           Upon each determination required under this subsection, the  
5 department of business, economic development, and tourism shall  
6 issue a letter to the taxpayer, regarding the qualified  
7 production, specifying the qualified production costs and the  
8 tax credit amount qualified for in each taxable year a tax  
9 credit is claimed. The taxpayer for each qualified production  
10 shall file the letter with the taxpayer's tax return for the  
11 qualified production to the department of taxation.

12 Notwithstanding the authority of the department of business,  
13 economic development, and tourism under this section, the  
14 director of taxation may audit and adjust the tax credit amount  
15 to conform to the information filed by the taxpayer."

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

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



# S.B. NO. 1253

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

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

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

SECTION 5. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2016.

INTRODUCED BY:

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# S.B. NO. 1253

**Report Title:**

Motion Picture, Digital Media, and Film Production Income Tax Credit

**Description:**

Extends the sunset date of the Motion Picture, Digital Media, and Film Production Income Tax Credit to January 1, 2024.

Provides stability and economic incentive predictability for the film industry.

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

