

STAND. COM. REP. NO.

3160

Honolulu, Hawaii

MAR 23 2018

RE: H.B. No. 1328  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Economic Development, Tourism, and  
Technology, to which was referred H.B. No. 1328, H.D. 1, entitled:

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

begs leave to report as follows:

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

- (1) Allowing a qualified production to provide the State with alternative marketing opportunities, that are approved by the Department of Business, Economic Development, and Tourism, that offer equal or greater promotional value to the State than the shared-card, end-title screen credit;
- (2) Requiring the Department of Business, Economic Development, and Tourism to submit a detailed report on the alternative marketing opportunities that the Department has approved; and
- (3) Amending the aggregate tax credit cap from \$35,000,000 to an unspecified amount.



Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; University of Hawai'i System; Honolulu Film Office; Office of Economic Development of the County of Kauai; Motion Picture Association of America; Hawaii International Film Association; Hawaii Film and Entertainment Board; HT Project, Inc.; Da Spot; SAG-AFTRA; O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i; International Alliance of Theatrical Stage Employees Local 665; International Brotherhood of Electrical Workers Local Union 1260; and one hundred thirty-six individuals. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and two individuals.

Your Committee finds that Hawaii has been represented in many films and television shows that use or showcase the natural beauty of our State. The film industry has stimulated the economy in Hawaii by creating jobs while promoting Hawaii as a visitor destination. Your Committee notes that television shows such as Hawaii Five-0 have not only advertised the beauty of Hawaii, but also has brought in revenue through the creation of jobs and utilization of public lands and properties. Your Committee finds that Act 143, Session Laws of Hawaii 2017, amended the motion picture, digital media, and film production income tax credit by, among other things, imposing an aggregate tax credit cap of \$35,000,000. In testimony received by your Committee, in 2017, forty-eight productions registered for the motion picture, digital media, and film production income tax credit and will potentially claim \$55,000,000 in tax credits. This is beyond the cap set at \$35,000,000, and your Committee finds that the cap should be increased to allow for the continuance of productions seeking to film in Hawaii.

Accordingly, your Committee has amended this measure by:

- (1) Inserting an annual aggregate cap of \$55,000,000 for the motion picture, digital media, and film production income tax credit;
- (2) Reducing the amount of total tax credits that may be claimed per qualified production from \$15,000,000 to \$12,500,000; and



- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development, Tourism, and Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1328, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1328, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Economic Development, Tourism, and Technology,

  
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GLENN WAKAI, Chair



