

Honolulu, Hawaii

FEB 08 2023

RE: S.B. No. 795
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,
to which was referred S.B. No. 795 entitled:

"A BILL FOR AN ACT RELATING TO TAXES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require productions to provide evidence of reasonable efforts to comply with all applicable requirements to qualify for the motion picture, digital media, and film production income tax credit; and
- (2) Require taxpayers be given notice and an opportunity to cure requirements for the motion picture, digital media, and film production income tax credit.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Motion Picture Association; Island Film Group; IATSE Local 665; and twenty-two individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the motion picture, digital media, and film production income tax credit program is a critical tool for developing the State's film industry. Since its inception in



2006, the tax incentive has grown the State's film industry from \$100,000,000 per year to an over \$400,000,000 per year economic driver that creates more than four thousand direct and induced jobs annually. Your Committee believes that the motion picture, digital media, and film production income tax credit program has resulted in a thriving film and digital media industry that has broadened the State's tax base and helped to strengthen the State's economy. This measure will help continue to create high-paying jobs and allow the State to remain a successful production center in the Pacific by ensuring that productions will not be at risk of being found non-compliant with the tax credit requirements over minor technical issues and provides taxpayers an opportunity to cure compliance issues, should they arise.

Your Committee has amended this measure by inserting an effective date of January 6, 2050, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 795, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 795, S.D. 1, and be referred to your Committee on Ways and Means.

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


LYNN DECOITE, Chair



