

STAND. COM. REP. NO.

1502

Honolulu, Hawaii

, 2023

MAR 24

RE: S.B. No. 795
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
S.B. No. 795, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXES,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Require productions to provide evidence of reasonable efforts to comply, rather than actually comply, with all applicable requirements under title 14, Hawaii Revised Statutes, relating to taxation, to qualify for the motion picture, digital media, and film production income tax credit; and
- (2) Require taxpayers to be given notice of and an opportunity to cure any failure to meet the 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; IATSE Local 665; Motion Picture Association; Island Film Group; and one individual. Your Committee received comments on

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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 program has helped the film industry grow from a \$100,000,000-a-year industry to an over-\$400,000,000-a-year economic driver and brings 4,000 direct and induced jobs annually. Your Committee notes that Act 217, Session Laws of Hawaii 2022, enacted amendments to the motion picture, digital media, and film production income tax credit, including new requirements regarding an employer's responsibility to withhold and remit general excise taxes for payments made to loan-out corporations for services performed in the State. Failure to comply with these requirements could disqualify a production from qualifying for the tax credit. This measure will allow employers to make reasonable efforts to comply with and have an opportunity to correct any compliance issues to meet the requirements for eligibility for the motion picture, digital media, and film production income tax credit.

Your Committee has amended this measure by:

- (1) Requiring taxpayers to cure any failure to meet the requirements for the motion picture, digital media, and film production income tax credit within thirty days of receiving the notice to cure; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 795, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 795, S.D. 2, H.D. 1, and be referred to your Committee on Finance.



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



DANIEL HOLT, Chair



