STAND. COM. REP. NO. 231 -24 Honolulu, Hawaii FEB 12, 2024 RE: H.B. No. 2005 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-Second State Legislature Regular Session of 2024 State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred H.B. No. 2005 entitled:

"A BILL FOR AN ACT RELATING TO TAXES,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Lower the threshold of one criteria for productions to qualify for the Motion Picture, Digital Media, and Film Production Income Tax Credit, which is to provide evidence of reasonable efforts to comply with all applicable requirements under title 14, Hawaii Revised Statutes, rather than actual compliance; and
- (2) Require taxpayers 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; Honolulu Film Office; IATSE Local 665; Hawaii Media Inc.; Island Film Group; Motion Picture Association; CARES; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

2024-1295 HB2005 HD1 HSCR HMSO

STAND. COM. REP. NO. 237 -24 Page 2

Your Committee finds that Act 217, Session Laws of Hawaii 2022 (Act 217), 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. An employer, or payroll services company on behalf of the employer, cannot remit amounts withheld to the Department of Taxation without a general excise tax identification number provided by the loan-out corporation. Failure of a loan-out corporation to provide the employer or payroll services company with a general excise tax identification number can jeopardize the employer's compliance with the requirements and eligibility for the tax credit. Your Committee further finds that this measure will allow employers to make reasonable efforts to comply with and have an opportunity to rectify 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:

2024-1295 HB2005 HD1 HSCR HMSO

- (1) Clarifying that the requirements to qualify for the Motion Picture, Digital Media, and Film Production Income Tax Credit, including provisions on notice of and opportunity to cure any failure to meet the requirements for the tax credit, are not to be interpreted as waiving any criteria required to claim the tax credit; and
- (2) Changing the effective date to July 1, 3000, to encourage further discussion.

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 H.B. No. 2005, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2005, H.D. 1, and be referred to your Committee on Finance.

STAND. COM. REP. NO. **237** -24 Page 3

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

DANIEL HOLT, Chair

2024-1295 HB2005 HD1 HSCR HMSO

State of Hawaii House of Representatives The Thirty-second Legislature



Record of Votes of the Committee on Economic Development

Bill/Resolution No.: HB 2005		Committee Referral: ECD, FIN				Date: 2/7/2024		
The committee is reconsidering its previous decision on the measure.								
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)								
ECD Members			Ayes		Ayes (WR)	Nays	Excused	
1. HOLT, Daniel (C)								
2. LAMOSAO, Rachele	F. (VC)				- lat 12. Statemar			
3. HUSSEY-BURDICK	, Natalia							
4. KONG, Sam Satoru					<u> de el s</u>	se internet internet		
		ty fy i						
5. LA CHICA, Trish							· X	
6. NAKAMURA, Nadin	e K.						· ·	
7. QUINLAN, Sean		1 127. 291						
8. PIERICK, Elijah					<u>1.1.22</u>			
8. PIERICK, Elijah								
							· · · · · · · · · · · · · · · · · · ·	
•								
TOTAL (8)			7				1	
The recommendation is:	Adop	ted	Not Ad	lopted		l	· ··· · · · · · · · · · · · · · · · ·	
If joint referral, did not support recommendation.								
Vice Chair's or designee's signature:								
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO								