

## Recent Changes to Hawaii Film Tax Credit

Blair Robbins | January 31, 2020



In late 2019, the state of Hawaii released a number of changes to its film production income tax credit. The changes include amended administrative rules superseding a number of previously issued pieces of guidance. The superseded documents include the previous temporary administrative rules, TIR No. 2006-02 and TIR No. 2009-05 among the most notable. In many cases, the general provisions of the superseded guidance are carried forward and clarified in the updated administrative rules. There are, however, several notable updates. These include limits on airfare of more than \$2,000 per person, per

way; flights with layovers that are 12 hours or longer; amounts paid for tips or gratuities; and per diem payments to the extent they are not subject to Hawaii income tax or Hawaii general excise tax.

Another notable change in the updated pronouncements is the issuance of TIR No. 2019-04 (revised). This tax information release formalizes the verification review procedures that are required under the administrative rules. Included in the publication are certain general requirements for the required agreed-upon procedure report (AUPR), a listing of procedures for the CPA to perform, and a sample agreed-upon procedures report.

Procedures outlined in the sample AUPR focus on matters such as loan-out company GET license verification, identification of bank fees, employees working out of state, imported goods for which no use tax was paid, payments to government entities, fines, payments for tips and gratuities, payments of airfare in excess of \$2,000, payments to related parties, and payment of per diem amounts not subject to Hawaii tax.

Another change is that the AUPR must now be prepared as of the end of each calendar year and is due 90 days after year-end. Previously, AUPRs were prepared based on the applicant's fiscal year-end. In order to bridge the gap, the first AUPR for productions ending on the calendar year-ended December 31, 2019, will be prepared for a short period from the applicant's previous fiscal year-end. Going forward, any subsequent reports must be prepared on a calendar-year basis. ■