

HI H 637, Introduced

Hawaii

SUMMARY: Allows greater flexibility in conditions placed on eligibility requirements for the motion picture, digital media, and film production income tax credit; amends the amount of the total tax credit that may be claimed per qualified production; amends the annual aggregate cap placed on the amount of the tax credits that may be claimed by qualified productions.

Legislative History and Analysis Changes in Bill text reflected as:

~~Text Deleted~~

Text Added

~~Text Vetoed~~

Current Legislative Status 01/22/2021 INTRODUCED.

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Introduced January 22, 2021 Ward

HOUSE OF REPRESENTATIVES

H.B. NO. 637

THIRTY-FIRST LEGISLATURE, 2021 STATE OF HAWAII

A BILL FOR AN ACT

RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT. BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that the film industry in Hawaii is an important component of a diversified economy. The legislature also finds that the motion picture, digital media, and film production income tax credit has been effective in stimulating the economy and creating quality jobs in a clean industry while promoting Hawaii as a visitor destination.

The purpose of this Act is to stimulate the motion picture, digital media, and film production industry in Hawaii by:

- (1) Allowing greater flexibility in conditions placed on eligibility requirements for the motion picture, digital media, and film production income tax credit by granting a qualified production the option of providing the State with alternative marketing opportunities in lieu of a shared-card, end-title screen credit;

- (2) Amending the amount of the total tax credits that may be claimed per qualified production; and
- (3) Amending the annual aggregate cap placed on the amount of motion picture, digital media, and film production income tax credits that may be claimed by qualified productions.

SECTION 2. Section 235-17, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (d) to read:

“(d) To qualify for this tax credit, a production shall:

- (1) Meet the definition of a qualified production specified in subsection (m);
- (2) Have qualified production costs totaling at least \$200,000;
- (3) Provide the State a qualified Hawaii promotion, which shall be **at** :
 - (A) **At** a minimum, a shared-card, end-title screen credit, where applicable; **or**
 - (B) **Alternative marketing opportunities, 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;**
- (4) Provide evidence of reasonable efforts to hire local talent and crew;
- (5) Provide evidence when making any claim for products or services acquired or rendered outside of this State that reasonable efforts were unsuccessful to secure and use comparable products or services within this State;
- (6) Provide evidence of financial or in-kind contributions or educational or workforce development efforts, in partnership with related local industry labor organizations, educational institutions, or both, toward the furtherance of the local film and television and digital media industries.”

2. By amending subsection (i) to read:

“(i) The department of business, economic development, and tourism shall:

- (1) Maintain records of the names of the taxpayers and qualified productions thereof claiming the tax credits under subsection (a);
- (2) Obtain and total the aggregate amounts of all qualified production costs per qualified production and per qualified production per taxable year;
- (3) Provide a letter to the director of taxation specifying the amount of the tax credit per qualified production for each taxable year that a tax credit is claimed and the cumulative amount of the tax credit for all years claimed; and

(4) Submit a report to the legislature no later than twenty days prior to the convening of each regular session detailing ~~the~~:

(A) The non-aggregated qualified production costs that form the basis of the tax credit claims and expenditures, itemized by taxpayer, in a redacted format to preserve the confidentiality of the taxpayers claiming the credit ~~;~~ and

(B) The marketing opportunities the department of business, economic development, and tourism has approved under subsection (d)(3)(B), including:

(i) The goals and strategy justifying each of those approved marketing opportunities; and

(ii) The names of all production companies who opted to include a shared-card, end-title screen credit in their final production instead of offering the State an alternative marketing proposal.

Upon each determination required under this subsection, the department of business, economic development, and tourism shall issue a letter to the taxpayer, regarding the qualified production, specifying the qualified production costs and the tax credit amount qualified for in each taxable year a tax credit is claimed. The taxpayer for each qualified production shall file the letter with the taxpayer's tax return for the qualified production to the department of taxation. Notwithstanding the authority of the department of business, economic development, and tourism under this section, the director of taxation may audit and adjust the tax credit amount to conform to the information filed by the taxpayer."

3. By amending subsection (j) to read:

"(j) Total tax credits claimed per qualified production shall not exceed ~~\$15,000,000.~~ *\$12,500,000.*"

4. By amending subsection (l) to read:

"(l) The total amount of tax credits allowed under this section in any particular year shall be ~~\$35,000,000;~~ *\$45,000,000;* however, if the total amount of credits applied for in any particular year exceeds the aggregate amount of credits allowed for such year under this section, the excess shall be treated as having been applied for in the subsequent year and shall be claimed in such year; provided that no excess shall be allowed to be claimed after December 31, 2025."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2021.