

REPORT TO THE TWENTY-SEVENTH LEGISLATURE
STATE OF HAWAII
2014 REGULAR SESSION

REGARDING MOTION PICTURE, DIGITAL MEDIA AND FILM PRODUCTION INCOME TAX CREDIT
FOR CALENDAR YEAR 2013

UPDATED to include data through December 31, 2013

PREPARED BY THE HAWAII FILM OFFICE, DEPARTMENT OF BUSINESS, ECONOMIC
DEVELOPMENT AND TOURISM

IN RESPONSE TO
Act 89 SLH 2013
PREPARED February 21, 2014

**REPORT REGARDING THE IMPACT OF
THE PRODUCTION TAX CREDIT PURSUANT TO SECTION 235-17(i) (4)**

INTRODUCTION:

Act 89, SLH 2013, Section 2, amended Chapter 235-17, by increasing the production tax credit to twenty percent of the qualified production costs incurred by a qualified production in any county of the State with a population of over seven hundred thousand and twenty five percent of the qualified production costs incurred by a qualified production in any county of the State with a population of seven hundred thousand or less.

FINDINGS:

From January 1, 2013 through December 31, 2013, the Hawaii Film Office processed registrations for 42 qualified productions that applied for the Motion Picture, Digital Media and Film Production Income Tax Credit. There were an estimated total of

\$163,799.408 in qualified production expenditures and an estimated total of \$64,858,203 of non-qualified expenditures for an estimated total of \$ 228,657,611 in production activity in calendar 2013.

Exhibit A includes projects which qualified for the Act 89 rebate program with production activity beginning January 1, 2013 through December 31, 2013.

Please note that these total amounts are estimates based on their respective Hawaii Production Registration application. DBEDT will provide a subsequent report to the Legislature prior to the 2015 session that details the actual production expenditures.

Exhibit A details the following analysis of 2013 qualified expenditures:

- Type of production (Feature Film, Commercials, Television)
- Estimated total expenditure by production and total aggregate
- Estimated total rebate by production and total aggregate
- Estimated total taxes generated by production and total aggregate
- Estimated revenues generated by production and total aggregate
- Estimated household income generated by production and total aggregate
- Estimated expenditures by island by production and total aggregate
- Number of local hires by production and total aggregate
- Number of out-of-state hires by production and total aggregate

WORKFORCE DEVELOPMENT CONTRIBUTIONS:

An estimated 42 Hawaii Public and charter schools throughout the state will be direct beneficiaries of the education and workforce development program that is a mandate for productions to access the tax credit. These educational institutions have received both cash and in-kind contributions. The actual amounts of these contributions, including the list of schools will be provided once the Hawaii Production Reports for FY13 are received.

More than 200 students from the Hawaii Public and charter Schools have participated in meaningful internships with major film, television and commercial productions. Several of the productions that have taken advantage of the tax credit have presented top notch educational seminars that included participants from Hollywood's A-List of content creators, including mentoring screenwriters during the 2013 Creative Lab program at HIFF. These lectures have exposed students to major producers, directors and actors advancing professional development.

ADMINISTRATION OF CREDIT:

The Hawaii Film Office requires five (5) regular full-time staff working part time on the tax credit program to manage the work load associated with the program. In the Hawaii Film Office and Creative Industries Division, Act 89 requires (4) FTE staff (including manager and administrator) working partial time on the management, marketing and reporting and (1) FTE manager, partial time in the Research and Economic Analysis Division of DBEDT, to provide analysis on this credit for legislative reporting.

The Department of Taxation is unable to determine the cost to administer the film tax credit. All tax returns and refunds with or without the film tax credit are processed, examined and audited in the same manner.

There are no non-state, part time employees, or contract personnel are involved in the management of the motion picture, digital media and film production income tax credit.

RECOMMENDATIONS:

DBEDT and the Hawaii Film Office recommend the continuation of the Motion Picture, Digital Media and Film production tax credit in order for Hawaii to remain competitive in the field of promoting Hawaii as a premiere location destination to the world of filmmakers. As the increase in production escalates, additional staffing and resources are necessary to maintain the level of service for both the tax program and permitting associated with the increased production activity. DBEDT has included these requests in the FY15 supplemental budget request.

