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 <u>estimates</u> 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 <u>actual</u> 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 <u>42</u> 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.

Act 89 Legislative Report - FY 2013 - as of December 31, 2013*

	1	-		Total										T		
Production	Prod. Year	Туре	Total Qualified Expend.	Total Estimated Rebate	Estimated Tax Generated*	Sales Generated into Economy	Household income generated	Oahu Expend.	Neighbor Isle total	Big Island Expend.	Kauai Expend.	Maui Expend.	Molokai Expend.	Lanai Expend.	Local Hawaii Hires	Out of State Hires
Prod 1	2013	Commercial	400,000	80,000	48,000	700,000	168,000	400,000							55	10
Prod 2	2013	Commercial	450,000	90,000	54,000	787,500	189,000	450,000							44	
Prod 3	2013	Commercial	225,000	45,000	27,000	393,750	94,500	225,000							18	
Prod 4	2013	Television	1,190,034	297,508	142,804	2,082,560	499,814		1,190,034	1,190,034					17	11
Prod 5	2013	Commercial	290,000	58,000	34,800	507,500	121,800	290,000							30	0
Prod 6	2013	Commercial	250,000	50,000	30,000	437,500	105,000	250,000							30	29
Prod 7	2013	Television	5,719,597	1,143,919	686,352	10,009,295	2,402,231	5,719,597							776	72
Prod 8	2013	Feature	475,000	95,000	57,000	831,250	199,500	475,000							73	11
Prod 9	2013	Commercial	275,000	55,000	33,000	481,250	115,500	275,000							55	20
Prod 10	2013	Commercial	300,000	60,000	36,000	525,000	126,000	300,000							45	20
Prod 11	2013	Television	709,693	177,423	85,163	1,241,963	298,071		709,693			709,693			130	28
Prod 12	2013	Television	1,010,000	202,000	121,200	1,767,500	424,200	1,010,000							5	60
Prod 13	2013	Television	225,000	45,000	27,000	393,750	94,500	225,000							4	1
Prod 14	2013	Television	991,035	235,258	118,924	1,734,311	416,235	250,000	741,035	416,035	100,000	225,000			8	29
Prod 15	2013	Television	49,302,061	9,860,000	5,916,247	86,278,607	20,706,866	49,302,061							1198	191
Prod 16	2013	Television	346,470		41,576	606,323	145,517	103,941	242,529	103,941	69,294	69,294			1	7
Prod 17	2013	Feature	20,202,239	4,040,000	2,424,269	35,353,918	8,484,940	20,202,239							1683	
Prod 18	2013	Feature	1,300,000	260,000	156,000	2,275,000	546,000	1,300,000							265	20
Prod 19	2013	Feature	800,000	160,000	96,000	1,400,000	336,000	800,000							101	42
Prod 20	2013	Commercial	364,372	72,874	43,725	637,651	153,036	364,372							53	7
Prod 21	2013	Feature	35,282,591	7,057,000	4,233,911	61,744,534	14,818,688	35,282,591							181	82
Prod 22	2013	Commercial	278,000	55,600	33,360	486,500	116,760	278,000							48	12
Prod 23	2013	Television	985,391	246,250	118,247		413,864		984,391			984,391			44	
Prod 24	2013	Television	550,000		66,000		231,000	550,000							170	
Prod 25	2013	Television	3,892,465		467,096		1,634,835	200,000	3,692,465	10,000	3,667,465	15,000			44	
Prod 26	2013	Commercial	380,000	76,000	45,600	665,000	159,600	380,000							102	
Prod 27	2013	Commercial	250,000		30,000		105,000	250,000							38	
Prod 28	2013	Feature	339,407	84,851	40,729	593,962	142,551		339,407	339,407					6	10
Prod 29	2013	Commercial	240,000		28,800	420,000	100,800	240,000							43	
Prod 30	2013	Commercial	300,000		36,000	525,000	126,000	300,000							35	
Prod 31	2013	Commercial	552,810		66,337	967,418	232,180	552,810							40	
Prod 32	2013	Feature	50,000		6,000	87,500	21,000		50,000			49,000			11	0
Prod 33	2013	Commercial	300,000		36,000	525,000	126,000		300,000	 		300,000			27	7
Prod 34	2013	Feature	851,842		102,221	1,490,724	357,774	500,000	351,842			351,842			40	
Prod 35	2013	Commercial	200,000		24,000	350,000	84,000	200,000							20	
Prod 36	2013	Television	33,000,000		3,960,000		13,860,000	33,000,000							0	0
Prod 37	2013	Commercial	50,000		6,000	87,500	21,000	50,000							0	0
Prod 38	2013	Feature	497,500		59,700	870,625	208,950	355,500	142,000	142,000					24	<u> </u>
Prod 39	2013	Commercial	446,208	170,071	53,545	780,864	187,407	2,963	443,245			443,245			68	
Prod 40	2013	Television	37,693		4,523	65,963	15,831	37,693							3	0
Prod 41	2013	Commercial	250,000		30,000	437,500	105,000	250,000							38	
Prod 42	2013	Commercial	240,000	48,000	28,800	420,000	100,800	240,000							43	6

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TOTAL	2013	163,799,408	33,254,680	19,655,929	286.648.964	68,795,751	154,611,767	9.186.641	2,202,417	3,836,759	3.147.465		5 616	1,126
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⁻⁻ Calculations for estimated economic Impacts, rebate, revenues and household income generated provided by READ/DBEDT based estimated totals I37provided by Hawaii Film Office/Creative Industries DBEDT.

^{**} Additional production registrations received past the 12/17/13 date will be included in a follow up report.

Total Television	13
Total Features	9
Total Commercials	20
Total Other	0
Total Qualified Productions	42