

REPORT TO THE TWENTY-EIGHTH LEGISLATURE
STATE OF HAWAII
2016 REGULAR SESSION

REGARDING MOTION PICTURE, DIGITAL MEDIA AND FILM PRODUCTION INCOME TAX CREDIT
FOR CALENDAR YEAR 2015

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

IN RESPONSE TO
Act 89, SLH 2013
PREPARED December 30, 2015

**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, 2015 through December 31, 2015, the Hawaii Film Office processed registrations for 35 qualified productions that applied for the Motion Picture, Digital Media and Film Production Income Tax Credit. There were an estimated total of \$199,687,128* in qualified production expenditures and an estimated total of \$43,993,888 of non-qualified expenditures for an estimated total of \$243,681,016* in production activity in calendar year 2015.

Exhibit A includes projects which qualified for the Act 89 tax incentive program with production activity beginning January 1, 2015 continuing through December 31, 2015.

Please note that these total amounts are estimates based on the respective Hawaii Production Registration applications. DBEDT will provide a subsequent report to the Legislature prior to the 2017 session that details the actual production expenditures.

Exhibit A details the following analysis of 2015 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:

In calendar year 2015, an estimated 35 Hawaii Public and charter schools throughout the state will be the 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.

More than 250 students from 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 workshops, educational seminars and mentoring opportunities which included Hollywood creative professionals and industry leaders providing students in college-level film programs access to major producers, directors, writers, and actors, advancing professional development in the creative sectors.

ADMINISTRATION OF CREDIT:

The Hawaii Film Office presently has an Economic Development Specialist VI and Film Office Manager as the two regular full-time employees working on the Act 89 tax credit program. To manage the workload of the Film Office, both positions work on the tax credit program part-time, as the other statutory duty of film permit processing and production support comprise the other half of their time. The employees also work part-time on marketing, management, film permits, and reporting to provide analysis on this tax credit to the Legislature.

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

RECOMMENDATIONS:

The Motion Picture, Digital Media and Film production tax credit is performing as the Legislature intended: Stimulating the economy and creating high-paying jobs to serve a clean industry that preserves Hawaii's natural and cultural resources and provides valuable exposure for our Islands as a world-class filming and visitor destination. DBEDT recommends an extension of the program beyond its scheduled sunset date of December 31, 2018, in order to provide the stability and predictability the industry requires. However, additional staff necessary to manage, certify and track the tax credit program are critical to its future success.

*"Estimates over the last two calendar year reports have included a major feature film that has so far been unable to raise necessary funds to start production. Rather than continue to factor this production into our overall Act 88/89 figures, we are deleting the project altogether and will wait to see if the production is able to raise necessary funds and re-apply for the credit."

Act 89 Legislative Report Calendar Year 2015

Production	Prod. Year	Type	Total Est. Qualified Certified	Total Estimated Rebate	Sales Generated	Household Income Generated	State Taxes Generated	Jobs Generated	Oahu Expend.	Neighbor Isle total	Big Island Expend.	Kauai Expend.	Maui Expend.	Molokai Expend.	Lanai Expend.	Local Hires	Off shore Hires
Prod 1	2015	Television	21,052,780	4,210,556	36,842,365	8,842,168	2,526,334	196	21,052,780							1198	191
Prod 2	2015	Television	10,562,786	2,112,557	18,484,876	4,436,370	1,267,534	98	10,562,786							1198	191
Prod 3	2015	Television	950,000	190,000	1,662,500	399,000	114,000	9	950,000							91	135
Prod 4	2015	Television	245,000	49,000	428,750	102,900	29,400	2	245,000							23	2
Prod 5	2015	Feature	3,800,000	760,000	6,650,000	1,596,000	456,000	35	3,800,000							326	22
Prod 6	2015	Commercial	337,000	67,400	589,750	141,540	40,440	3	337,000							55	22
Prod 7	2015	Television	550,000	130,000	962,500	231,000	66,000	5	150,000	400,000	150,000	150,000	100,000			8	30
Prod 8	2015	Feature	280,000	56,000	490,000	117,600	33,600	3	280,000							10	1
Prod 9	2015	Commercial	410,591	84,368	718,534	172,448	49,271	4	365,591	45,000	45,000					48	12
Prod 10	2015	Internet	400,000	80,000	700,000	168,000	48,000	4	400,000							5	14
Prod 11	2015	Documentary	300,000	60,000	525,000	126,000	36,000	3	300,000							10	0
Prod 12	2015	Feature	698,000	139,600	1,221,500	293,160	83,760	6	698,000							30	51
Prod 13	2015	Television	1,124,983	234,549	1,968,720	472,493	134,998	10	923,664	199,270	131,886	67,384				37	10
Prod 14	2015	Feature	2,006,756	401,351	3,511,823	842,838	240,811	19	2,006,756							62	24
Prod 15	2015	Television	5,603,422	1,350,239	9,805,989	2,353,437	672,411	52	1,012,320	4,591,102	4,591,102					68	80
Prod 16	2015	Feature	914,425	132,885	1,600,244	384,059	109,731	9	164,425	400,000		350,000	50,000			12	10
Prod 17	2015	Short	925,000	185,000	1,618,750	388,500	111,000	9	925,000							67	4
Prod 18	2015	Television	1,926,300	467,425	3,371,025	809,046	231,156	18	268,000	1,658,300	1,658,300					30	10
Prod 19	2015	Feature	18,598,095	3,719,000	32,546,666	7,811,200	2,231,771	173	18,598,095							2043	104
Prod 20	2015	Television	550,000	130,000	962,500	231,000	66,000	5	150,000	400,000	150,000	150,000	100,000			8	30
Prod 21	2015	Television	322,000	64,400	563,500	135,240	38,640	3	322,000							102	30
Prod 22	2015	Television	56,148,093	11,229,618	98,259,163	23,582,199	6,737,771	522	56,148,093							1198	180
Prod 23	2015	Feature	65,182,638	13,036,527	114,069,617	27,376,708	7,821,917	606	65,182,638							1575	202
Prod 24	2015	Music Video	205,000	41,250	358,750	86,100	24,600	2	200,000	5,000	5,000					31	14
Prod 25	2015	Commercial	250,000	62,500	437,500	105,000	30,000	2		250,000			250,000			24	27
Prod 26	2015	Television	2,696,721	539,344	4,719,262	1,132,623	323,607	25	2,696,721							80	42
Prod 27	2015	Feature	491,476	98,295	860,083	206,420	58,977	5	491,476							79	34
Prod 28	2015	Short	663,096	165,774	1,160,418	278,500	79,572	6		663,096			663,096			97	47
*Prod 29	2015/2016	Television	8,000		14,000	3,360	960	0		8,000		8,000				1	1
Prod 30	2015	Commercial	210,000	42,000	367,500	88,200	25,200	2	210,000								
Prod 31	2015	Television	622,966	124,593	1,090,191	261,646	74,756	6	622,966							111	14
Prod 32	2015	Commercial	410,000	82,000	717,500	172,200	49,200	4	410,000							53	-
Prod 33	2015	Feature	750,000	187,500	1,312,500	315,000	90,000	7		750,000			750,000			83	-
Prod 34	2015	Commercial	350,000	70,000	612,500	147,000	42,000	3	350,000							51	20
*Prod 35	2015/2016	Feature	150,000		262,500	63,000	18,000	1		150,000	150,000					8	4
												725,384					
TOTAL	35		199,687,128	40,303,731	\$ 349,466,474	\$ 83,871,954	\$ 23,963,415	1857	189,823,311	9,519,768	6,811,288	725,384	1,913,096			8822	1558

Calculations for estimated impacts, rebates, revenues and household income generated provided by READ/DBEDT based on estimated totals provided by Creative Industries/Hawaii Film Office DBEDT -

*Prod 29 & 35 Split year productions - year 1

Act 89 Legislative Report Calendar Year 2015

Total Television	14
Total Features	10
Total Commercials	6
Total Short Films	2
Total Music Videos	1
Total Internet	1
Total Documentaries	1
Total Qualified Productions	35

ACT 89 LEGISLATIVE REPORT-CALENDAR YEAR 2015

<u>Personnel</u>	<u>% of Time</u>	<u>Total Est. Staff Time</u>	
<u>Jan - Dec 2015</u>		\$89,354	12 months
EDSVI	60%	\$47,397	
Branch Manager	25%	\$24,336	
Division Administrator	15%	\$15,312	
Division Secretary	5%	\$2,309	
		\$89,354	