

## September 12, 2019 - Sample Allocation Based on Proposed Administrative Rules

The attached spreadsheet illustrates the film credit allocation applying the method of allocation contained in the proposed section 18-235-17-04, Hawaii Administrative Rules (HAR).

### Disclaimer:

This document is provided for informational purposes only and shall not be relied upon by any taxpayer as a guarantee of the credit amount that will be allocated. Actual allocations will be based on “qualified production costs” incurred as required under section 235-17(a), Hawaii Revised Statutes (HRS).

### Summary of Allocation Rules under Proposed Section 18- 235-17-04, HAR:

Credits may only be allocated to qualified productions that file a timely production report (§18-235--17-04(b));

Credits are allocated based on costs incurred during the calendar year for all taxpayers (§18-235--17-04(c));

Credits are first allocated to taxpayers (including “related entities” as defined under proposed section 18-235-17-01, HAR) that have total credits of \$1 million or less the year (§18-235--17-04(d)); and

Credits that are not allocated under proposed section 18-235--17-04(d), HAR, are allocated on a prorated basis. If credits cannot be allocated because the aggregate cap of \$50 million per year has been exceeded, the credits will be given allocation priority over new credit claims in the subsequent year (§18-235--17-04(e)).

### Baseline Data:

The allocations in the attached spreadsheet are based on estimated production costs submitted to the Hawaii Film Office prior to starting production under section 235-17(f), HRS.

### Assumptions:

All production reports are submitted in a timely manner; and

All taxpayers that qualify for total credits of \$1 million or less are not “related entities.”

### Brief Explanation of Allocation Spreadsheet:

Productions 1 to 25 are given priority because each of these claims is under \$1 million. These claims total \$2,852,250, leaving \$47,147,750 for allocation to the remaining productions for 2019.

Credits were allocated to Productions 26 to 39 under proposed section 18-235-17-04(e), HAR. The total claim for these productions is \$63,642,050. Since only \$47,147,750 is remaining to be allocated for 2019, \$16,494,300 will be allocated from the 2020 aggregate cap. Production 26 to 39 will each be issued a certification letter for 2020 at the same time the certification letter for 2019 is issued.

\$33,505,700 is remaining and may be allocated for 2020.

Motion Picture, Digital Media, and Film Production Income Tax Credit  
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<b>No.</b>	<b>Estimated Total Qualified Production Costs</b>	<b>Estimated Credit Applied for 2019 Year</b>	<b>Estimated Credit Allocated for 2019 Year</b>	<b>Estimated Credit Allocated for 2020 Year</b>
Production 1	\$204,000	\$40,800	\$40,800	\$0
Production 2	\$210,000	\$42,000	\$42,000	\$0
Production 3	\$212,000	\$42,400	\$42,400	\$0
Production 4	\$200,000	\$43,750	\$43,750	\$0
Production 5	\$202,000	\$47,350	\$47,350	\$0
Production 6	\$200,000	\$50,000	\$50,000	\$0
Production 7	\$203,000	\$50,750	\$50,750	\$0
Production 8	\$256,000	\$51,200	\$51,200	\$0
Production 9	\$275,000	\$55,000	\$55,000	\$0
Production 10	\$276,000	\$55,200	\$55,200	\$0
Production 11	\$282,000	\$56,400	\$56,400	\$0
Production 12	\$230,000	\$57,500	\$57,500	\$0
Production 13	\$250,000	\$62,500	\$62,500	\$0
Production 14	\$313,000	\$62,600	\$62,600	\$0
Production 15	\$322,000	\$64,400	\$64,400	\$0
Production 16	\$331,000	\$66,200	\$66,200	\$0
Production 17	\$363,000	\$72,600	\$72,600	\$0
Production 18	\$421,000	\$105,250	\$105,250	\$0
Production 19	\$600,000	\$120,000	\$120,000	\$0
Production 20	\$600,000	\$145,000	\$145,000	\$0
Production 21	\$741,000	\$148,200	\$148,200	\$0
Production 22	\$661,000	\$153,350	\$153,350	\$0
Production 23	\$1,632,000	\$326,400	\$326,400	\$0
Production 24	\$1,667,000	\$333,400	\$333,400	\$0
Production 25	\$3,000,000	\$600,000	\$600,000	\$0
Production 26	\$4,171,000	\$1,042,750	\$772,497	\$270,253
Production 27	\$5,000,000	\$1,050,000	\$777,868	\$272,132
Production 28	\$4,300,000	\$1,075,000	\$796,389	\$278,611
Production 29	\$7,500,000	\$1,500,000	\$1,111,241	\$388,759
Production 30	\$9,108,000	\$1,821,600	\$1,349,490	\$472,110
Production 31	\$8,453,000	\$2,104,150	\$1,558,811	\$545,339
Production 32	\$11,029,000	\$2,205,800	\$1,634,116	\$571,684
Production 33	\$12,498,000	\$2,499,600	\$1,851,771	\$647,829
Production 34	\$17,517,000	\$3,503,400	\$2,595,413	\$907,987
Production 35	\$21,827,000	\$4,365,400	\$3,234,006	\$1,131,394
Production 36	\$27,530,000	\$5,506,000	\$4,078,994	\$1,427,006
Production 37	\$38,635,000	\$9,658,750	\$7,155,463	\$2,503,287
Production 38	\$67,159,000	\$13,431,800	\$9,950,640	\$3,481,160
Production 39	\$69,389,000	\$13,877,800	\$10,281,049	\$3,596,751

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<b>Total</b>	<b>\$181,015,000</b>	<b>\$66,494,300</b>	<b>\$50,000,000</b>	<b>\$16,494,300</b>
<b>Film Tax Credit Available for 2019</b>		<b>\$50,000,000</b>		
<b>Est. Credit Allocated to Small Productions (\$1M or less)</b>			<b>\$2,852,250</b>	
<b>Est. Credit Available for Remaining Productions (&gt;\$1M)</b>			<b>\$47,147,750</b>	
<b>Est. Film Tax Credit Available for 2020</b>				<b>\$33,505,700</b>