BILL ANALYSIS

Senate Research Center
83R18833 KLA-F

H.B. 3169
By: Bohac (Lucio)
Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Destination management companies (DMCs) are experts in marketing the State of Texas as a destination to third party clients and is instrumental to the meetings and conventions industry in Texas. These companies possess extensive knowledge in the design and implementation of events, activities, tours, transportation, and program logistics. Additionally, they spend one to three percent of their gross revenue actively marketing our state.

In 2009, the legislature amended the Tax Code to address issues relating to their sales and margins tax collections. Specifically, enacted legislation allowed DMCs to exclude payments made to vendors from their taxable income and clarified that DMCs are the consumers of taxable items and do not collect and remit sales tax. However, there has been some confusion regarding the application of the legislation.

H.B. 3169 clarifies current law in order to redefine and expands the definition of marketing to include the multitude of strategies utilized by DMCs to market the State of Texas.

H.B. 3169 amends current law relating to the imposition of the sales and use tax on taxable items sold or provided under certain contracts.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 151.0565(a)(1) and (2), Tax Code, as follows:

(1) Redefines "destination management services" to mean certain services when provided under a qualified destination management services contract, including transportation vehicle management; meeting, conference, transportation, or event staffing; shuttle system services, including vehicle staging, radio communications, signage, and routing services; and airport meet-and-greet services, including the provision of airport permits, manifest management services, porterage, and passenger greeting services.

(2) Redefines "qualified destination management company" to mean a business entity that:

(A)-(D) Makes no change to these paragraphs;

(E) maintains a general liability insurance policy with a limit of at least $1 million, rather than spends at least one percent of the entity's annual gross receipts to market the destinations with respect to which destination management services are provided;

(F) has at least 80 percent of the entity's clients located outside this state, rather than has at least 80 percent of the entity's clients described by Subdivision (3)(A)

(relating to defining "qualified destination management services contract" to mean a contract under which at least three of the destination management services listed in Subdivision (1) in this state to a client that is not an individual and that is a certain entity) located outside this state;

(G) Makes no change to this paragraph;

(H) does not prepare or serve beverages, meals, or other food products, but may procure catering services on behalf of the entity's clients, rather than is not doing business as a caterer;

(I) Makes no change to this paragraph;

(J) does not own or operate a venue at which events or activities for which destination management services are provided occur; and

(K) is not a member of an affiliated group, as that term is defined by Section 171.0001 (General Definitions), another member which prepares or serves beverages, meals, or other food products, or owns or operates a venue described by Paragraph (J), rather than is not a subsidiary of another entity that, and is not a member of an affiliated group, as that term is defined by Section 171.0001, another member of which is doing business as, or owns or operates another entity doing business as, a caterer, or owns or operates a venue described by Paragraph (J).

Makes nonsubstantive changes.

SECTION 2. Makes application of the change in law made by this Act prospective.

SECTION 3. Effective date: September 1, 2013.