

By: Lucio

S.B. No. 1504

A BILL TO BE ENTITLED

AN ACT

relating to the imposition of the sales and use tax on taxable items sold or provided under certain contracts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION. 1. Section 151.0565, Tax Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

(a) In this section:

(1) "Destination management services" means the following services [~~when provided under a qualified destination management services contract~~]:

- (A) transportation management;
- (B) booking and managing entertainers;
- (C) coordination of tours or recreational activities;
- (D) meeting, conference, or event registration;
- (E) meeting, conference, or event staffing;
- (F) event or logistics management; and
- (G) meal coordination.

(2) "Qualified destination management company" means a business entity that:

- (A) is incorporated or is a limited liability company;
- (B) receives at least 80 percent of the entity's

1 annual total revenue from providing or arranging for the provision  
2 of destination management services;

3 (C) maintains a permanent nonresidential office  
4 from which the destination management services are provided or  
5 arranged;

6 (D) has at least three full-time employees;

7 (E) spends at least one percent of the entity's  
8 annual gross receipts to market the destinations with respect to  
9 which destination management services are provided, including  
10 gross receipts spent for labor expenses relating to that activity;

11 (F) has at least 80 percent of the entity's  
12 clients described by Subdivision (3)(A) located outside this state;

13 (G) other than office equipment used in the  
14 conduct of the entity's business, does not own equipment used to  
15 directly provide destination management services, including motor  
16 coaches, limousines, sedans, dance floors, decorative props,  
17 lighting, podiums, sound or video equipment, or equipment for  
18 catered meals;

19 (H) is not doing business as a caterer;

20 (I) does not provide services for weddings;

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

24 (K) is not a subsidiary of another entity that,  
25 and is not a member of an affiliated group, as that term is defined  
26 by Section 171.0001, another member of which:

27 (i) is doing business as, or owns or

1 operates another entity doing business as, a caterer; or

2 (ii) owns or operates a venue described by  
3 Paragraph (J).

4 (3) "Qualified destination management services  
5 contract" means a contract under which at least three of the  
6 destination management services listed in Subdivision (1) are  
7 provided:

8 (A) in this state to a client that is not an  
9 individual and that:

10 (i) is a corporation, partnership, limited  
11 liability company, trade association, or other business entity,  
12 other than a social club or fraternal organization;

13 (ii) has its principal place of business  
14 outside the county where the destination management services are to  
15 be provided; and

16 (iii) agrees to pay the qualified  
17 destination management company for all destination management  
18 services provided to the client under the terms of the contract; and

19 (B) by a qualified destination management  
20 company that pays or accrues liability for the payment of taxes  
21 imposed by this chapter on purchases of taxable items that will be  
22 consumed or used by the company in performing the contract.

23 (b) A qualified destination management company is the  
24 consumer of taxable items sold or otherwise provided under a  
25 qualified destination management services contract, and the  
26 destination management services provided under the contract are not  
27 considered taxable services, as that term is defined by section

1 151.0101.

2 (c) For purposes of this section, the following activities  
3 are considered as marketing a destination:

4 (1) promoting the destination for prospective  
5 meeting, incentive, and convention clients, regardless of whether  
6 the activity promotes the entity engaging in the activity and  
7 including the following activities:

8 (A) participating in trade shows;

9 (B) making sales calls;

10 (C) conducting site inspections;

11 (D) participating in familiarization trips; and

12 (E) marketing license and/or membership fees;

13 (2) attending or sponsoring an industry conference  
14 while marketing the destination;

15 (3) creating a destination proposal with respect to  
16 the destination;

17 (4) disseminating gifts or other materials that  
18 promote the destination; and

19 (5) promoting the destination by electronic means.

20 SECTION 2. The change in law made by this Act does not  
21 affect tax liability accruing before the effective date of this  
22 Act. That liability continues in effect as if this Act had not been  
23 enacted, and the former law is continued in effect for the  
24 collection of taxes due and for civil and criminal enforcement of  
25 the liability for those taxes.

26 SECTION 3. This Act takes effect September 1, 2013.