

Excerpts from an article written by Barbara Scofidio for *Corporate Meetings & Incentives*

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## Highlights

### DMCs asking for industry support

A group of DMCs in Texas banned together to fight unfair tax legislation — and won.

It's a tough time to be a destination management company. In several states, attempts to classify DMCs as "resellers"—which would result in the collection of sales taxes, including, in some cases, back taxes, penalties, and interest for up to 10 years—are being challenged by the DMC industry. But so far, only DMCs in Texas have been successful in getting their voices heard.

In the past three years, virtually every DMC in California has either been audited or has been informed that they will be audited, according to Chris Lee, DMCP, CEO of Access Destination Services, San Diego, and co-founder of the Association of Destination Management Executives.

Lee and his fellow ADME members in California formed the Sales Tax Task Force four years ago, when the taxation fight began. At that time, the California State Board of Equalization identified a DMC that bought items wholesale and repackaged them as gift baskets for clients—a transaction, it said, that required the DMC to pay sales tax. The CSBE pursued more companies, with the wider assertion that all DMCs are resellers.

In other words, Lee said, if a DMC attaches a service fee to food and beverage or tangible personal property (like flowers or attendee gifts), those fees are subject to sales tax—in addition to the sales tax the DMC pays its vendors—as if the DMC were a reseller. "DMCs have been operating for 40 years as service companies, not resellers," said Lee.

"This has implications way beyond DMCs and could apply to any company in the industry that charges a service fee, management fee, or markup on food and beverage or any tangible personal property," Lee said, "including independent meeting planners, event planners, production companies."

#### What's Next?

The battle against burdensome taxation continues for DMCs in seven other states. In California, a bill that would provide relief, previously known as SB1628, which, despite facing no opposition has been stalled in bureaucracy, was once again reintroduced in January as AB1687.

Lee and the California ADME members continue their fight. "This is not money the state has ever before collected before from us; it's not like we're trying to get out of paying existing taxes," he said. "It's no coincidence that we're located in a state that is in a financial crisis right now."

The ADME task force has hired legal counsel and continues to stay on top of the issue. "Our California group is still working on legal recourse, but in the meantime, they are also working to educate everyone on what a DMC does," said Fran Rickenbach, CAE, IOM, ADME's executive vice president.

"It's been an underground battle that the DMCs have been trying to wage," said Lee, "but now we need to go public, with the support of the meetings industry."

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