

Updates on Seller of Travel (SOT) Law in California

June 1, 2017
2 PM EDT

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California Coalition of Travel Organizations

- Currently serving a fourth term on the Board of the California Coalition of Travel Organizations
- Legislative watchdog for California Travel Industry
- Original sponsor of Sellers of Travel law

California's Seller of Travel (SOT) Law

- Enacted in 1995, California's SOT Law is the oldest and most comprehensive consumer protection law for the Travel Industry in the U.S.

General Information on SOT LAW and Frequently Asked Questions about the SOT Law can be found on their website: oag.ca.gov/travel/reg-faqs

Who must register?

Generally, a seller of travel is anyone who sells, provides, furnishes, contracts for, arranges, or advertises that he or she can or may arrange, or has arranged, wholesale or retail, either of the following...

- **Air or sea transportation** either separately or in conjunction with other travel services;
- **Land or water vessel transportation**, other than sea carriage, either separately or in conjunction with other travel services if the total charge to the passenger exceeds three hundred dollars (\$300).

For more information, please see Business and Professions Code section 17550.1.

Who doesn't need to register?

Generally, the following entities do not need to register as a seller of travel:

- Air carriers
- Ocean carriers
- Lodging establishments who also arrange transportation but never receive money for providing it
- Government authorized transportation providers, or an agent of a registered seller of travel who meets certain requirements.

For more information, please see Business and Professions Code sections 17550.1 and 17550.20, subdivision (g)

How to register!

- Ten (10) days prior to doing business in California, accurately complete and submit the Seller of Travel Registration Application, any required additional forms, your annual registration fee of \$100 for each business location, plus any required late fee to the Seller of Travel Program.

Seller of Travel forms can be found at: oag.ca.gov/travel/forms

- If you are a California based company or your stock is listed on a national securities exchange, you must also comply with the Travel Consumer Restitution Corporation requirements. (TCRC)

For more information on this requirement, please go to: tcrcinfo.org

A California Based Bank Trust Account must be used when working with California residents who are purchasing travel services from your company.

The law states:

- A trust account is separate from an operating or general account. A trust account is a business checking account which you designate as your seller of travel trust account. The trust account is used to deposit consumer funds and to pay your travel service providers (i.e. consolidators, wholesalers, airline companies, etc.). The trust account cannot be used for business and personal expenses, or to pay the seller of travel registration fee. Only after you have paid your travel service providers, you may withdraw your commissions.

The operating account is used to pay out salaries, utilities, and such other operational expenses. You may not co-mingle the two accounts. For example, you may not pay salaries out of your trust account.

Disbursement of trust funds for purposes other than payment for goods and services, or to make refunds, may constitute a crime. In addition, you may not pay your registration fee from any seller of travel trust account.

For more information, please see Business and Professions Code section 17550.15, subdivision (b).

Exemptions to the Trust Account requirement:

Under certain circumstances, a seller of travel may be exempt from the trust account requirements.

For example, instead of a trust account, a seller of travel may post a bond, participate in a Consumer Protection Deposit Plan (CPDP), **or** use a Consumer Protection Escrow Plan (CPEP).

In addition, under specific circumstances, registered sellers of travel, who are participants in TCRF, who are officially appointed as ARC agents, who have been in business under the same ownership for three years, who are located in California and engage in retail transactions with persons in California, and who forward 100% of passenger funds to:

- (1) a registered seller of travel who is also a participant in TCRF
- (2) the Airlines Reporting Corporation, or
- (3) the trust account, CPDP, or CPEP of a registered seller of travel, may be exempt from the trust account requirements.

For more information, please see Business and Professions Code section 17550.16.

Surety Bond Requirement

(in lieu of Trust Account)

- An adequate bond must at all times be no less than at least equal to the amount required to be held in the trust account. You should make appropriate upward adjustments to your estimates and surety bond as circumstances change. The Attorney General's Office may require documentation of your sales volume to prove your surety bond amount is sufficient.
- Your surety bond issuer must be a company that is admitted by the State of California to issue surety bonds in California. Such a company is known as an "Admitted Surety Bond Company." Check with any prospective issuer of a surety bond which you intend to use to see if it is admitted to write surety bonds in California or contact the [California Department of Insurance](#).
- Maintenance of a United States Tour Operators Association (USTOA) bond meets the seller of travel financial requirement as well.

For more information, please see Business and Professions Code section 17550.11.

New to the Law for 2017

- Beginning in January 2017, it is now required that an entity filing for a new or renewing SOT Registration, must also provide their California State Business Identification number as issued by the California Secretary of State or California Franchise Tax Board.
- Once properly registered, you'll be given a State Identification Number and or Tax Identification number. This number is required for registration with the Attorney General's office.
- Generally, there is an \$800.00 yearly fee to register as a corporation doing business in California.

For additional information, please go to:

<http://www.sos.ca.gov/business-programs/business-entities/forms/>

Overview

To legally do business in the State of California as a seller of travel:

- Register yearly with Attorney General's office
- Register with Secretary of State as a domestic or foreign company doing business in the State
- Use a California Bank Trust Account or Surety Bond to protect consumer funds--subject to audit
- Must put SOT number issued by AG's office on all Travel advertisements, including online
- If California based company, you must also register and participate in the Travel Consumer Restitution Corporation.

Questions?

SYTA Resources

SYTA Website – www.my.syta.org

Members Only Section -my.syta.org

- Member Directory
- SYTA Logo
- SYTA Research Digest
- Safety Resource Guide
- Recorded Webinars and PowerPoints

2017 SYTA Annual Conference



2018 SYTA Summit



Upcoming Webinars

5 Travel and Safety Tips When Planning Student Tours to Europe

June 15, 2017, 3:00 PM EDT

Learn More About the SYTA Youth Foundation

July 13, 2017, 2 PM EDT

Thank You

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