2025 tax preference review:

Trade Convention Attendance

PRELIMINARY REPORT | JULY 2025

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Legislative Auditor's conclusion

The preference meets the inferred objective of providing tax treatment like that in other states. Washington's tax laws limit the number of beneficiaries and the amount they can save.

Key points

- Preference exempts out-of-state businesses that attend only one Washington trade convention per year and do not make sales or take orders at the convention.
- Washington tax laws effectively limit the number of beneficiaries and the amount they can save.
- Preference provides consistent treatment across states.
- The preference likely has minimal influence on trade convention attendance due to its limited nature.

About this preference

Estimated savings: Indeterminate, minimal	**Tax type:** Business & occupation tax; Sales and use tax	**Expiration date:** January 2027

Executive summary

Washington provides a narrow exemption from nexus rules for trade convention attendance. Nexus rules define the minimum connection between a business and the state that would make a business's activity subject to the state's taxing jurisdiction.

Use of the preference is unknown and limited by nexus rules

Individuals and businesses that benefit from the preference do not need to collect or remit applicable taxes. They also do not need to register with the Department of Revenue (DOR) or file an annual tax performance report. As a result, there is no data to indicate the number of beneficiaries or the exact amount of savings.

Joint Legislative Audit and Review Committee (JLARC) staff analysis shows that the amount of tax savings is likely minimal. Beneficiaries cannot have sales in Washington that exceed $100,000 per year. This limits business and occupation (B&O) tax savings to about $471 to $1,500, depending on the type of business.

Businesses or individuals may also benefit from this preference by avoiding any administrative burden of registering with DOR and filing tax returns.

Preference meets one of two objectives

Based on 2016 committee testimony, JLARC staff inferred that one objective is to make Washington convention centers competitive with convention centers in other states. Washington's exemption is consistent with those available in other states, meeting this objective.

The Legislature's stated objective is to increase trade convention attendance compared to 2015 levels. This objective is not met. The degree to which the preference influences trade convention attendance is unknown, but likely minimal due to the limited nature of the preference.

JLARC staff compiled data from 2015 to 2023 describing the number of events and the number of people in attendance reported by four convention centers in Washington. The data shows that the COVID-19 pandemic disrupted the convention industry. In 2020 and 2021, the four convention centers that provided data saw a steep decline in the number of events and attendance. Events and event attendance have recovered but remain below 2015 levels.

Legislative Auditor's recommendation

The Legislature should continue the tax preference.

- The preference meets the inferred objective of providing consistent tax treatment with other states.
- Trade convention events and attendance are not at the 2015 level, but the COVID-19 pandemic disrupted the convention industry. The influence of the preference on trade convention attendance is likely minimal due to the limited nature of the preference.

You can find additional information in the **Recommendations section**.

Commission recommendation

To be included in proposed final report.

Part 1.
Exemption

This tax preference provides a narrow exception from Washington nexus rules. Nexus rules define substantial nexus as the minimum connection between a business and the state that would make a business's activity subject to the state's taxing jurisdiction.

Businesses are subject to Washington tax rules if they have nexus with Washington

In Washington, a business with substantial nexus is subject to the state's tax laws. It must:

- Register with the Department of Revenue (DOR).
- Pay applicable business and occupation (B&O) tax on its Washington activities.
- Collect applicable retail sales tax from customers and send it to DOR.

In-state individuals or businesses have nexus because they reside or are commercially organized in Washington. Out-of-state businesses may have nexus with Washington based on **physical presence** or an **economic** threshold.

The **physical presence** nexus threshold requires "only more than the slightest presence" in the state, including:

- Having an employee who works in the state.
- Having real or tangible personal property in the state.
- Soliciting sales in Washington through employees or other representatives.
- Having an exhibit at a trade convention to maintain or establish a market in the state.

The **economic** nexus threshold is met when a business has:

- More than $100,000 in combined gross receipts, and
- Those combined gross receipts are sourced or attributed to Washington in the current or prior year.

The Legislature has changed laws governing nexus several times. These changes are summarized in **Appendix A**.

Preference applies to some out-of-state businesses attending a Washington trade convention

This tax preference states that attending one trade convention per year is not enough, on its own, to establish nexus based on physical presence. This means that the business is exempt from registering with DOR and paying, collecting, and remitting applicable taxes.

The exemption only applies if the attendee:

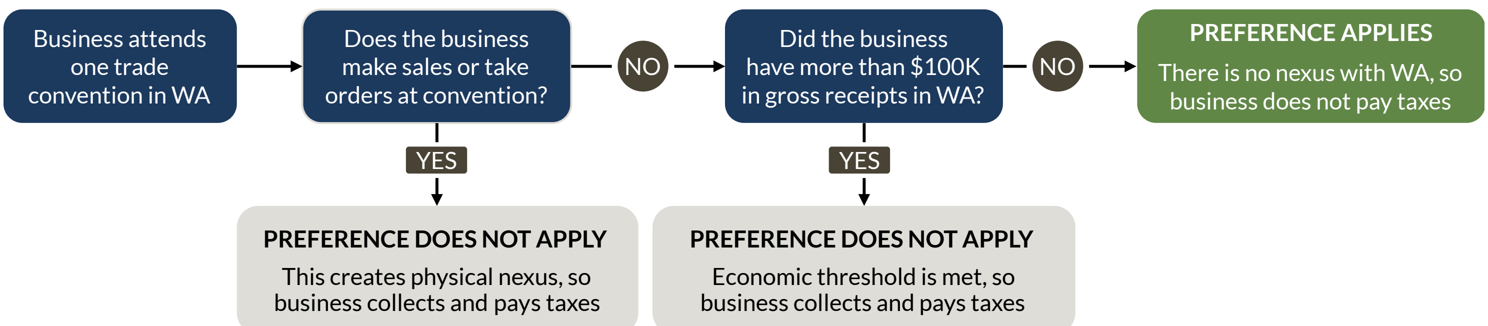
- Does not make retail sales at the convention.
- Does not take orders for products or services that will be received in Washington.

The Legislature enacted the tax preference in 2016, and it will expire January 1, 2027.

Preference is an exemption only from the physical presence nexus threshold

A business may meet the exemption's physical presence criteria and still have nexus with the state based on the economic threshold. In that case, the business cannot benefit from the preference.

Figure 1: Preference applies to some out-of-state businesses attending a Washington trade convention



Source: JLARC staff analysis.

Part 2. Beneficiaries

Beneficiaries of the tax preference are out-of-state individuals and businesses who:

- Attend no more than one trade convention in Washington per year.
- Make no retail sales at the convention.
- Do not take orders for products or services that will be received in Washington.
- Do not meet the economic nexus threshold.

- Do not otherwise meet physical nexus thresholds.

For example, an out-of-state business that makes less than $100,000 in sales into Washington per year may attend one trade convention per year without establishing nexus in Washington based on its presence in the state. As a result, it does not need to register with DOR, pay B&O tax on its Washington activities, or collect sales tax on retail sales to Washington customers.

Trade convention
An exhibition, not marketed to the general public, for a specific industry or profession.

Businesses show services and products to potential customers or share industry information.

In contrast, another out-of-state business might also attend one trade convention in Washington per year. However, because it has sales of more than $100,000 per year in Washington, it would establish nexus by meeting the economic threshold and could not benefit from the preference.

Unclear who benefits from the preference or how much they save

The number of businesses and individuals that benefit from this tax preference is unknown. Businesses that have nexus with Washington must register with DOR. Because beneficiaries of the preference do not have nexus, they do not need to register with DOR, collect or remit applicable taxes, or file an annual tax performance report. DOR reports it does not collect data on individuals or businesses attending trade conventions.

Current nexus thresholds limit potential beneficiary savings

The number of beneficiaries is likely limited by the narrow nature of the preference. Beneficiaries are limited to businesses that attend no more than one trade convention per year. They cannot make retail sales or take orders at the convention for delivery into Washington.

The economic nexus threshold further limits the amount of tax that businesses can save with this preference. To benefit, a business may not make more than $100,000 in gross sales sourced to Washington per year. This limits tax savings to the B&O tax applicable to that amount of sales.

Example: The economic nexus threshold limits B&O tax savings to the tax that would be due on $100,000 of cumulative gross receipts into Washington in one year. Tax savings depend on the type of activity and the applicable B&O tax rate.

Activity	Gross receipts	B&O tax	Potential savings
Service & Other Activities	$100,000	1.5%	$1,500
Wholesaling	$100,000	0.484%	$484
Retailing	$100,000	0.471%	$471

Other tax preferences, such as the Small Business Credit, may further reduce this tax liability and any tax savings attributable to the trade convention attendance exemption.

A business may also benefit from the tax preference by avoiding any administrative burden of registering with DOR and filing tax returns.

Part 3.
Attendance

In 2016, the Legislature stated the objective of the tax preference was to encourage participation in Washington trade conventions. The Legislature directed JLARC to review the preference by December 31, 2025:

- If the review finds more businesses participate in Washington trade conventions than in 2015, the Legislative Auditor must recommend extending the preference.
- If the number of businesses has not increased, JLARC was directed to recommend how to improve the preference.

Convention attendance has recovered but remains below 2015 levels

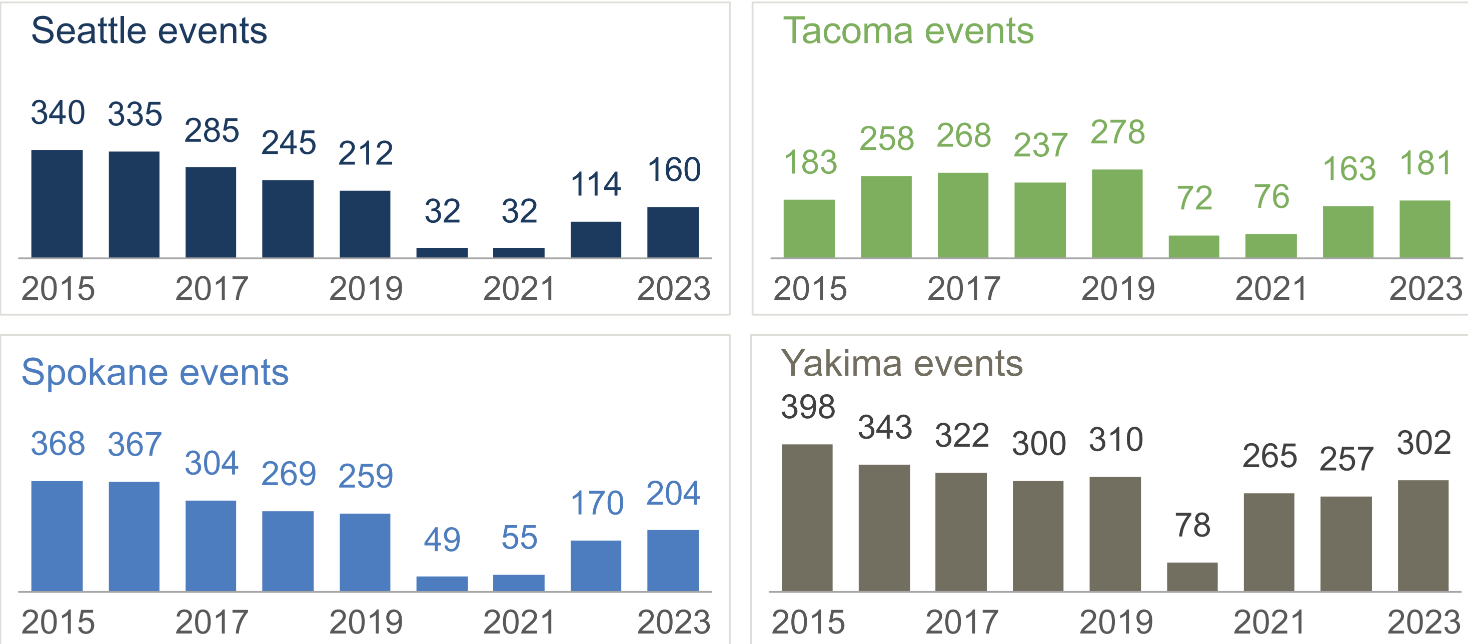
Convention centers in Washington do not collect data on the number of businesses that attend trade conventions. DOR also does not track this data.

Instead, JLARC staff requested data from 11 convention centers. Four responded to the request. JLARC staff compiled this data describing the number of events and the number of people in attendance from 2015 to 2023. The following convention centers provided data:

- Seattle Convention Center.
- Greater Tacoma Convention Center.
- Spokane Convention Center.
- Yakima Convention and Event Center.

The data shows that the COVID-19 pandemic disrupted the convention industry. In 2020 and 2021, all four convention centers saw a steep decline in the number of events and attendance. The number of events and event attendance have recovered but remain below 2015 levels.

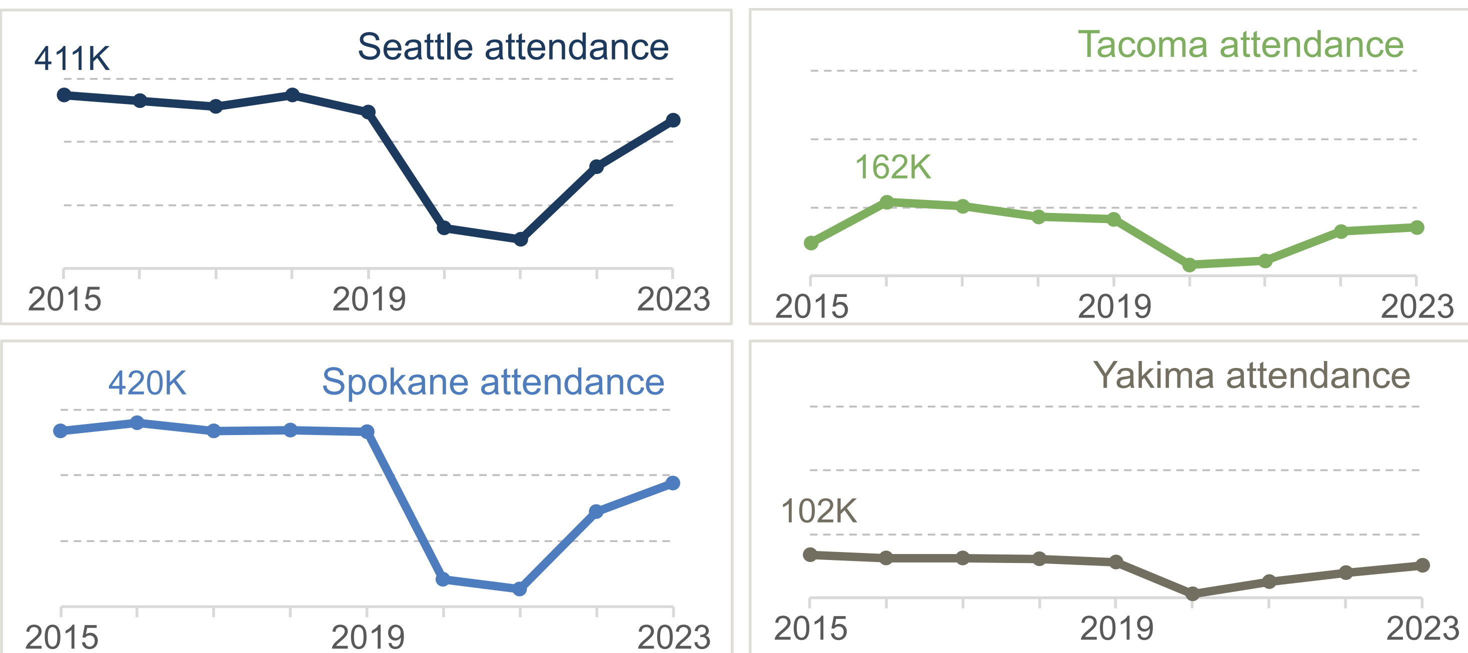
Figure 2: Events have not increased since 2015



Notes: Events include trade convention events and other events.

Source: JLARC staff analysis of convention center data.

Figure 3: Attendance has not increased since 2015



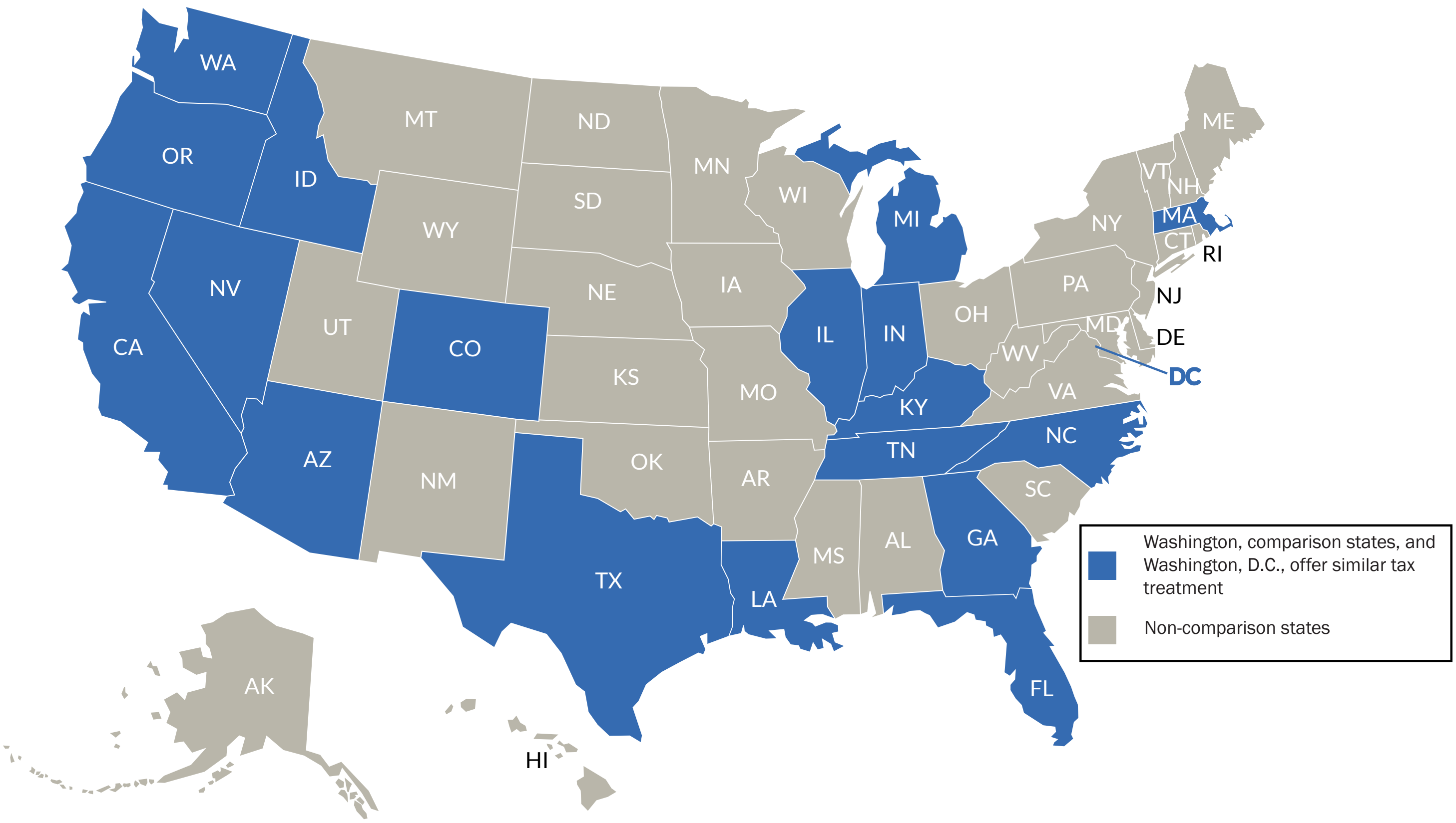
Source: JLARC staff analysis of convention center data.

Preference meets inferred objective to offer tax treatment like that in other states

Based on committee testimony from 2016, JLARC staff inferred one objective for the preference. The inferred objective is to make Washington convention centers competitive with convention centers in other states by providing consistent tax treatment.

JLARC staff analyzed statutes from 17 comparison states and Washington D.C. The comparison states border Washington or have large convention centers that host trade conventions. All comparison states offer similar tax treatment to Washington. Out-of-state businesses can attend a trade convention in these states without establishing nexus.

Figure 4: Washington, comparison states, and Washington, D.C., all offer similar tax treatment



Source: JLARC staff analysis.

Recommendations

The Legislative Auditor makes one recommendation.

Recommendation #1:
The Legislature should continue the tax preference.

- The preference meets the inferred objective of providing consistent tax treatment with other states.
- Trade convention events and attendance are not at the 2015 level, but the COVID-19 pandemic disrupted the convention industry. The influence of the preference on trade convention attendance is likely minimal

due to the limited nature of the preference.

Legislation required: Yes

Fiscal impact: If the Legislature continues the preference, beneficiaries would likely realize a minimal amount of savings in the 2027-29 biennium.

Implementation date: 2026 legislative session

Letter from commission chair

To be included in proposed final report.

Commission recommendation

To be included in proposed final report.

Current recommendation status

JLARC staff review whether the agency acted on the recommendation for four years. The first review typically happens about a year after we issue the report. The most recent responses from agencies and status of the recommendations in this report can be viewed on our **legislative auditor recommendations page**.

Appendices

Appendix A: Selected historic nexus provisions | **Appendix B: Applicable statutes** | **Appendix C: Study questions & methods** | **Appendix D: Audit authority** | **Appendix E: Study Process**

Appendix A: Selected historic nexus provisions

2009 and prior

Retail Sales Tax	B&O Tax Retailing	B&O Tax Wholesaling	B&O Tax Service & Other
Physical presence in 2009 or previous 5 years			

2016 (when the preference was enacted)

Retail Sales Tax	B&O Tax Retailing	B&O Tax Wholesaling	B&O Tax Service & Other
Physical presence in 2015 or 2016		Physical presence before Sept. 1, 2015. Washington resident or an entity organized or commercially domiciled in Washington in 2015 or 2016. One of the following thresholds in 2014 or 2015: >$267k gross receipts (apportionable and wholesaling activities) sourced or attributed to Washington. >$53k of payroll in Washington. >$53k of property in Washington. >=25% of total receipts, payroll, or property is in Washington.	

2020 - present

Retail Sales Tax	B&O Tax Retailing	B&O Tax Wholesaling	B&O Tax Service & Other
Any of the following thresholds in the current or prior year: • Organized or commercially domiciled in Washington. • Has physical presence nexus in Washington. • >$100k in combined gross receipts sourced or attributed to Washington.			

Appendix B: Applicable statutes

RCW **82.32.531** Nexus — Trade convention attendance or participation.

RCW **82.04.07** Substantial nexus — Engaging in business.

Appendix C: Study questions

By law, tax preference reviews must address these study questions

Study questions define the scope of the audit. These reviews will consider the study questions as they relate to each preference, which were presented to JLARC in September 2024 (**view here**).

- **Public policy objectives:** What did the Legislature intend to accomplish? Has the preference achieved those goals?
  - The Legislature defined specific performance metrics for some tax preferences.
  - For others, JLARC staff infer objectives and metrics.
- **Beneficiaries:** Who does the preference benefit, either directly or indirectly? How much have they saved?
- **Revenue and economic impacts:** What are the impacts to the taxpayers and the state?
- **Other states:** Do other states have a similar tax preference?
- **Racial equity:** Are there racial equity considerations associated with the tax preferences?

Methods

The methodology JLARC staff use when conducting analyses is tailored to the scope of each study, but generally includes the following:

- **Interviews** with stakeholders, agency representatives, and other relevant organizations or individuals.
- **Site visits** to entities that are under review.
- **Document reviews**, including applicable laws and regulations, agency policies and procedures pertaining to study objectives, and published reports, audits or studies on relevant topics.
- **Data analysis**, which may include data collected by agencies and/or data compiled by JLARC staff. Data collection sometimes involves surveys or focus groups.
- **Consultation with experts** when warranted. JLARC staff consult with technical experts when necessary to plan our work, to obtain specialized analysis from experts in the field, and to verify results.

The methods used in this study were conducted in accordance with Generally Accepted Government Auditing Standards.

More details about specific methods related to individual study objectives are described in the body of the report under the report details tab or in technical appendices.

Appendix D: Audit authority

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's nonpartisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in **Chapter 44.28 RCW**, requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

Appendix E: Study process

View guide to JLARC Tax Preference Reviews **here**.
