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in-person events sometime this summer. If the virus resurges in September, as some experts believe it will, in-person events may not resume before the spring or summer of ...

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The B2B events industry is one of many gut-punched by the new coronavirus (COVID-19): Social-distancing and stay-at-home orders worldwide have cancelled countless events. Although restrictions are gradually lifting, ongoing social-

distancing requirements will prevent many if not all in-person events from taking

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find another way, such as moving them online or developing a hybrid approach. Indeed, many in-person events already contain virtual components, charging a premium to access recordings of events attended in person.

## The evolution of events

We're quickly learning that more can be done virtually, and effectively, than previously thought. According to a [Massachusetts Institute of Technology study](#), approximately 34% of Americans who previously worked outside the home are now working remotely because of COVID-19. Many communicate with colleagues through chat and video-conferencing tools like Slack and Zoom.

In-person B2B events are shifting to digital platforms, too. Avalara recently held a first-of-its-kind virtual event for customers. Although they missed shaking hands, customers appreciated the opportunity to connect with each other and consult with sales tax experts. Marketing Coordinator Kaitlin Hung says more virtual events are in the pipeline: "At least for 2020, virtual events are here to stay."

Avalara isn't alone. After the City of Austin cancelled [SXSW and SXSW EDU](#) in March, the organization pivoted to an online format. AnitaB.org recently announced the first ever [Virtual Grace Hopper Celebration](#) will be held at the end of September. Even the Burning Man festival is moving to a "[virtual metropolis](#)" this year.

According to a recent Center for Exhibition Industry Research (CEIR) survey, B2B exhibition organizers are ready to move events online:

- 69% are offering one or more virtual options
- 62% are offering online education sessions
- 15% are planning a full virtual trade show

Jenn Heinold, senior vice president of events at Access Intelligence, LLC, says during

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completely simulated virtual show floor, or some other format, it is important to listen and respond to the marketplace.”

If there are benefits to such virtual events, there could also be also sales tax implications.

### **Sales tax implications of virtual events**

Determining the taxability of a virtual event can be tricky because there are so many different types of events, and each event is often multifaceted. Conferences tend to have a strong educational bent but are also attended by sponsors and vendors interested in selling products or services. Trade shows may emphasize new products and services but also provide educational content. As a result, sales tax may apply to certain situations but not others, and different participants may be liable for it.

Further complicating matters, states may classify events differently. Some may categorize them as “training and seminar” — general conferences, seminars, and trainings where sponsors disperse important information and audiences are educated by qualified representatives. Yet virtual events could end up being treated as “online training,” which are exempt in most states but generally taxed in Connecticut, Hawaii, New Mexico, Puerto Rico, South Dakota, and West Virginia. Or, states could categorize them as videos (streaming or electronic download), which are taxed in about 30 states. That’s not the same category as video programming streamed over the internet, another possibility.

Then again, states could treat virtual events like software rather than training or learning. In 2013, the [Massachusetts Department of Revenue](#) found sales of subscriptions to a company’s Virtual Event Center and Company IP software, whether sold alone or bundled with additional offerings, to be a taxable sale of

software. However, some of the company's event project management services were

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While the full financial impact of COVID-19 on state budgets may not be clear, projections are grim. According to the California Forecast Overview released by [Visit California](#), U.S. tax revenue will decline by \$80 billion as a result of the nationwide drop in tourism in 2020. And that's just from the contraction of one industry. Here's another: An impact study by [The Global Association of the Exhibition Industry](#) predicts total sales losses caused by cancelled exhibitions will exceed 134 billion euros globally through the end of June 2020.

Revised state revenue projections released by the [National Conference of State Legislatures](#) show revenue decreases in every state. On May 5, Minnesota Governor Tim Walz said "[COVID-19 will badly damage Minnesota's economy.](#)" New York's [updated budget financial plan](#) for FY 2021 is "bleak," with General Fund receipts now estimated to be \$13.3 billion less than anticipated in the February plan. At the same time, struggling businesses and individuals need more aid.

When states experience a surge in expenditures or a decrease in tax revenue, lawmakers often look to broaden the sales tax base. New products, services, and technologies are common targets. After the Great Recession, states redoubled efforts to tax sales by businesses with no physical presence in the state, succeeding when the Supreme Court of the United States ruled in favor of the state in *South Dakota v. Wayfair, Inc.* (June 21, 2018). Many states also started to tax some digital products and services. David Brunori, a senior director at RSM US LLP, believes expanding the sales tax base to include digital goods "[is sound policy](#)" — they've experienced a rise in consumption during the pandemic. He also thinks "sales-tax states needing revenue should consider expanding the base to include more services."

As more and more events move online, robbing governments of the badly needed tax revenue generated by in-person events, virtual events could be prime fodder. They could be taxed as services or digital goods.

At the same time, this is no time to be worrying about sales tax. That's why [this is a](#)

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