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## Is That Snake A Write-Off? Inside the World of Rock Star Tax Deductions

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A pop singer's sequined outfit is more than a stage costume -- it's a tax deduction, too.

The same goes for a rock band's stage pyro -- not to mention wages paid to the techs who trigger them. For an artist on the road, everything from tour buses to lodging to per diems can count as a deduction.

"There are so many deductions and expenses that come into play when you have a rock star going on tour," says CPA (certified public accountant) Michael Kaplan of Los Angeles-based accounting firm Miller Kaplan Arase LLP. "You've got things like special microphones, that are all decorated in jewels, that you get to deduct. There are sets that they build they can deduct. Even merchandise. All these things come into play."

KISS can deduct makeup costs from doing their signature Starchild, Demon, Cat and Spaceman stage looks. The inflatable [63-foot](#) cobra prop from Taylor Swift's Reputation Tour? Deductible. Costs associated with the real boa constrictor from Alice Cooper's show? That too. Wages paid to exotic dancers who shimmy onstage as part of a Kid Rock tour? Yep. Even the stage-mounted poles are deductions.

"Anything that goes into the actual act itself -- the performance, during the performance, before the performance, after the performance, even clean-up people," Kaplan says. "The driver on the tour bus. Everybody involved in the whole production, it's all deductions, all part of the write-offs."

Those deductions go from huge set pieces to small bottles of hair-care products -- *if* those hair products are related to styling solely done for performances. Everyday products are a no-go. This applies to clothes as well. An outrageous Lady Gaga-type ensemble can be deducted. But a country singer who sports a cowboy hat, boots, Western shirt and jeans onstage but also dresses like that offstage most days can't deduct those expenses. It comes down to whether clothing's costume, or something also worn to dinner. "That's where the line is drawn," Kaplan says.

Kaplan's offices occupy a North Hollywood building near Universal Studios. He's been doing accounting and business management for entertainers for 25 years. Accountants don't like to name clients for professional and privacy reasons, but Kaplan says his firm

works with musicians ranging from rockers to rappers. He says he's worked with artists with incomes into nine figures and seen deductions get into seven figures. "A lot of times you have a lot of expenses to produce that much income," Kaplan says.

It isn't just touring expenses that can be written off. Production costs of making that cinematic music video are also viable tax deductions. So are costs related to recording music, such as studio time, session musician pay, etc. All these potential deductions, if properly documented, are applicable to professionals, whether arena headliners or legitimate working musicians. Such deductions won't fly for hobbyists.

Instruments are a frequent potential deduction. Those can fall into different categories. A new Fender Stratocaster purchased for touring or recording would be a standard expense deduction. But if a Joe Perry-level guitar hero purchases, say, a vintage \$20,000 Stratocaster, those sorts of instruments are often handled as assets, since they could potentially increase in value.

But as CPA Robert M. Pesce of New York accounting firm Marcum LLP says, "They're not buying guitars for the tax deduction, they're buying it to make beautiful music. A musician is in a business just like anybody else. The things you're talking about are necessary for their business, so whether they're making recordings or doing live performances, they need equipment -- and that equipment is deductible. It's either deductible in full or depreciable but it's tax deductible because it's used in their business."

Marcum LLP, which keeps 11th and 12th floor offices near Grand Central Station, works with performers and songwriters from pop to rock to opera. Pesce has been doing this for over 30 years.

Even though taxes aren't very rock n' roll, with plentiful tax strategy info online and IRS cautionary tales aplenty, "everybody's concerned about this stuff," Pesce says. But while being tax-savvy is often a priority for artists, he continues, "that energy is not sustainable. They want to put their energy into being creative." When he first meets with a musician client, Pesce encourages them to establish a low-maintenance structure for capturing potential deductions. "Designate a credit card to be used exclusively for business," Pesce says. "It is the best way to capture all your expenses on one place. In the event there are expenses that must be paid by other methods, I suggest having a checking account that is used for business purposes only. The taxes are high if the income's high. But the key is to get the expenses captured and entered onto the return, and, more importantly, have the money budgeted as it's coming in, so no one's surprised at a big tax bill when it's due in April."

According to Los Angeles CPA Rick Norris, this year's tax season, which deadlines April 15, will particularly impact some California musicians. The entertainment accounting veteran, who mostly works with songwriters, says the recent Tax Cuts and Jobs Act makes unreimbursed employee expenses no longer deductible. Additionally, a [California Supreme Court case](#) (Dynamex Operations West, Inc. v. Superior Court of

Los Angeles) will make it difficult for individuals to be classified as independent contractors vs. employees, which could have a compound effect on California musicians. "If they were, in effect, contractors last year and now asked to be an employee, they won't get to write off any of those deductions," including musical instruments, Norris says -- unless those individual musicians form LLCs or corporations, which involves another set of expenses and complications. "That really screws over a lot of artists," Norris says, "especially people who pay commission." Still, he advises employee-classified California musicians to "keep your receipts and deduct it on your state return, because the state of California is not following the Trump tax law on many of the provisions."

In terms of taxes, here's one way an artist can become a business. Many artists form what's called a loan-out corporation. Those musicians' incomes flow through the loan-out, allowing them to deduct commissions to agents, managers, attorneys and business managers.

No matter how well a musician is set up as a business, some deductions can be tough to pull off. While personal trainers and gym memberships easily qualify as a fashion model's deductions, Kaplan says, "there's all shapes and sizes of musicians so you don't necessarily have to be in great shape to do so." Cosmetic surgeries can often be deducted by adult/erotic entertainers, however most elective surgeries don't qualify for musicians' deductions. But what about an aging rocker who undergoes a hair transplant to maintain his trademark mane? "I would say yes," Pesce says, "if they're a public figure and they're performing on a regular basis and this is part of their image. Think about the guys for KISS, whether they're wearing wigs or whatever, that's a necessary expense for their business." There are some peripheral potential deductions you might not expect. "Maybe they go to some lodge in Colorado to come up with some inspiration for the next big song," Pesce says. Heirs of deceased major artists can deduct expenses such as hi-res digital backups made of analog master recordings or legal expenses incurred preventing unauthorized usage of music or likeness.

Generally, major musicians have a team, including a business manager or tour manager, who handles business-related receipts and supporting documents, Kaplan says. Yesteryear's hardcopy ledgers and overstuffed cardboard boxes have mostly been replaced by digital files. When it's time for a high-profile musician to sign tax documents, sometimes a firm brings docs to the musician and sometimes the musician comes into the office to sign.

Taxes forms are still numbers and boxes, whether they're being filled out for a dentist, dog sitter or Rock and Roll Hall of Famer. When asked if it's ever surreal preparing taxes together for a well-known musician, Kaplan says, "You do pause for a moment and think about it, for sure -- I don't think you'd be human if you didn't. But you keep it professional and never cross that line."