



2003: Back to the Basics

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Last year introduced some ambiguous issues into the Literary Agency community. Continued complexity in compliance with forms W-8BEN and 1042, in addition to the form 1099 crisis with its final successful resolution, all brought about warranted concerns last year. After a great deal of committed lobbying by Marcum & Kliegman on behalf of the literary community, the firm recently received a letter of clarification of form 1099 from the IRS. This letter states that agents will continue to be under obligation to submit form 1099 to their clients, and that this responsibility does not reside with publishers. With these issues resolved, this may be the time to pay special attention to the basic tax issues that face not just literary agents, but all entrepreneurial businesses.

The beginning of each year is traditionally a time for New Years resolutions; why not make a promise to treat yourself better financially? Below are a few suggestions to help make 2003 a financial success.

TAX ISSUES. Look at your investment portfolio. While many of us have experienced the consequence of a down market, you may have unrecognized gains available to offset losses.

RETIREMENT. Retirement will come sooner than you think- now is the time to start planning. To protect your assets for retirement, contribute to an IRA, Keogh or SEP. You may be able to take a tax deduction of up to \$40,000.

PLANNING FOR YOUR CHILDREN'S EDUCATION. Qualified tuition programs (Section 529 plan) enable parents and grandparents to either secure current tuition rates with a prepaid tuition program or create tax-free savings accounts to fund college expenses. These plans have considerable tax advantages and distributions used to pay qualified higher education expenses will be income tax-free.


SUCCESSION PLANNING. All business owners must create a strategy to sell their businesses or pass them on to their children or

family members. Without a plan in place, taxes can greatly diminish your business when you die - perhaps forcing a sale of a company to satisfy mounting tax obligations. Even as a literary agent, you too must develop an exit strategy into your estate plan to protect your assets and your company's ongoing success.

BUSINESS OWNERSHIP. Consider changing your business structure. Business structures range from sole proprietorships to S Corporations- each with different levels of taxation and liability. There may be tax benefits and consequences to each, so choosing the best business structure for your needs is critical.

HIRE YOUR KIDS. Need an extra hand around your office? As an owner of an unincorporated business you can hire your children, pay each child who is over 14 as much as \$7,700 and deduct the sum in full- and they will pay zero in taxes. In addition, for kids under 18 you won't even owe any Social Security or Medicare Taxes.

ACCOUNTING SYSTEM. Being efficient is more important than ever. If your accounting system is outdated, chances are you are wasting time doing things that could easily be automated. There are very powerful, user-friendly accounting software solutions available that can easily be customized to service literary agencies. With the right system in place, routine tasks can take less time and require fewer people. More importantly, knowledge is power. Having up to date, accurate, accounting information is critical in managing your business.

Of course, always consult with your financial advisor to find out the details and business risks before implementing these types of strategies. 

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