



GETTING IN THE GAME:
TAXES FOR ARTISTS

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OVERVIEW

- Introduction
- Resources
- Common Tax Questions
 - Why do I owe taxes? I hardly made any money!
 - Wait – Do I have to collect sales tax on that?
 - Is this deductible?
 - What do you mean supplies may not be deductible?
 - All my receipts are crumpled in this box. Is that okay?

EMPLOYMENT TAX OBLIGATIONS

- Employment Taxes
 - Social Security and Medicare taxes withheld from employees' paychecks and matched by employer
 - Self-employed must pay both employee and employer portion
- 2013 Rates
 - Social Security: 12.4% on first \$113,700
 - Medicare: 2.9%
 - Additional Medicare: 0.9% over \$200,000
- Net business earnings were \$400 or more
- Use Form 1040-ES to make quarterly payments

SALES TAX

- Ohio sales (and use) “tax applies to retail sale, lease, or rental of tangible personal property and selected services.”
- Rates
 - Ohio: 5.5%
 - Montgomery County: 1.0%
 - Franklin County: 0.75%
 - MVRTA: 0.5%
 - COTA: 0.5%

SALES TAX, CONTINUED

- Vendor License
 - \$0 - \$25, depending on type
- Collect upon each sale, remit monthly or semi-annually depending on volume
 - Liability < \$1,200 per six months: Semi-annual
- Internet sales
 - Marketplace Fairness Act
 - Most states require compliance if physical presence or nexus

COMMON DEDUCTIONS

- Expenses *directly related* to business are deductible as long as they are *ordinary and necessary* and not *lavish or extravagant*.
- Transportation
 - Examples
 - Business travel
 - Local travel
 - Cartage
 - Not commuting
 - Actual expenses or safe harbor (\$0.555 per business mile driven)

COMMON DEDUCTIONS, CONTINUED

- Meals & Entertainment
 - Subject to 50% limit on deduction
 - Business purpose test
 - Certain exceptions to the limitation, including de minimis food for advertising or goodwill
- Studio Space
 - Outside space
 - Home studio (or office)
 - Exclusively and regularly used for business
 - Actual expenses or safe harbor beginning in 2013: \$5 per square foot up to 300 square feet

COMMON DEDUCTIONS, CONTINUED

- Other Administrative Expenses
 - Advertising or promotions
 - Education
 - Entry fees
 - Dues or memberships
 - Insurance
 - Legal or accounting
 - Subscriptions
 - Supplies

SUPPLIES, INVENTORY, AND COST OF SALES

- Supplies that turn into inventory are only deductible when the work is sold.
- Cost of Sales
 - Includes printing, framing, materials, etc.
 - Beginning + Additions – Ending = COGS
- Challenges
 - Estimating expenses per work
 - Locating unsold works

RECORD KEEPING

- Information to Capture
 - Date
 - Other party (vendor or payer)
 - Amount
 - Business purpose
- Purpose
 - Summarize business transactions
 - Monitor business progress
 - Prepare financial statements and tax returns
- Electronic
- Statute of Limitations