



Walters&Sklyar LLP

Financial Strategies for Artists Tax Planning

The most important time to think about tax strategy is before a tax deadline is looming. Decisions you make throughout the year can have significant impact on your taxes.

- Are you tracking expenses beyond just the cost of materials?
- Is your business set up in a way that will ensure the most tax savings possible?
- Did you know the IRS considers you a manufacturer?
- Should you rent or buy a studio?

These are just a few of the issues that can affect how much you pay in taxes as a fine artist. K&A's tax accountants understand the business side of fine art.

Our Solution

- Conduct comprehensive reviews to get an accurate view of your personal and business finances.
- Design a proactive approach to tax strategy and planning, and revisit the strategy throughout the year to adjust as needed.
- Prepare financial statements, business and personal returns, estate and retirement planning, asset protection - encompassing federal, state and local taxes.

How You Will Benefit

- Secure every relevant tax savings available to you.
- Gain confidence knowing you're making informed business and personal financial decisions.
- Enjoy the expertise of a financial partner who sculpts your financial wellbeing with as much care as you would.

Services

We help you thrive - with sound financial strategies for artists at every stage of growth.

Early Career	Emerging	Established
<p>Keep more of your money. Based on how you track expenses, licenses, losses.</p>	<p>Improve profitability. By laying the right foundation for your growing business.</p>	<p>Increase revenue, maximize profits, reduce taxes. It's all in your business and tax strategy.</p>

Visit wscpas.net/artists for detailed lists of our accounting and tax services for fine artists.

Start Now:

Schedule a complimentary consultation by contacting Jim Walters at 818.975.2040 x2038 or jwalters@wscpas.net



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Financial Strategies for Artists

Solving Prior Tax Problems

You may be breaking tax rules without even knowing it ... until the IRS comes calling. If you're confused by tax rules, you're not alone. Even many tax accountants don't understand the business side of art and therefore don't know how to properly advise fine artists in their tax and business strategies.

- Did you treat a worker as a contractor when he really should have been designated an employee?
- Did you trade your art with a fellow artist and neglect to report it as income?
- Did you contribute your art to charity and deduct the full market value - rather than just the cost of materials?

These are some of the tax rules that artists unknowingly break. Sometimes the IRS comes calling. If they do, ask for help. We can help assess the situation, analyze your records and get the prior tax problem resolved.

Our Solution

- Review all IRS correspondence, assess the situation and analyze your records.
- Respond to the IRS on your behalf.
- Resolve the prior tax problem and re-file previous years' returns if needed.

How You Will Benefit

- Enjoy the convenience of having someone respond to the IRS on your behalf.
- Get access to the advice of an expert who will make sure you get every tax savings you're entitled to.
- Gain peace of mind knowing you've got an advocate at your side – someone who understands you as an artist and your art as a business.

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Minimize Taxes on International Sales

You know you're an artist. But did you know the IRS sees you as a manufacturer? That means you can get a lower tax rate on a portion of your international sales. Our clients are saving substantial tax dollars thanks to the application of this rule by our expert tax accountants.

Our Solution

- Analyze your sales to determine eligibility for current and prior years.
- Re-file previous returns to recover excess taxes paid, if applicable.
- Work with you to make sure you're getting every relevant tax savings in all aspects of your business and personal finances.

How You Will Benefit

- Save money by minimizing taxes on international sales.
- Improve your overall business strategy with expert advice about how your status as a manufacturer affects other aspects of your business.
- Gain confidence knowing you're making informed business and personal financial decisions.

Services for Established Artists

- Studio Management & Employee Structure
- Employee Compensation Plans
- Art Gifts to Non-Profits & Employees
- Foreign Sales & Tax Benefits
- Proper Analysis of Gallery Advances
- Controlling Excessive Travel & Entertainment
- Trusts, Foundations, Estate Planning
- Proper Insurance of Artwork
- Captive Insurance Strategies
- Life Insurance
- Same Sex Tax Laws in Common Law States

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Financial Strategies for Artists

Job Costing: Calculating Gallery Advances

Get proper advances from galleries by being prepared with accurate job costing.

Many artists do not properly cost their jobs. As a result, they give up valuable income or put themselves at unnecessary risk by not securing enough money in advance. The advance should cover more than your estimate for materials - it should cover other expenses like studio space, gas and anything else that keeps your business running.

Our Solution

- Complete a detailed analysis of your business and expenses.
- Implement a system for tracking all costs associated with every project.
- Create a method for job costing to automate the process.

How You Will Benefit

- Gain an understanding and big-picture view of your true costs for each project.
- Ensure a reliable cash flow by securing enough money from a gallery up front to cover your true costs.
- Transfer some of the upfront financial investment to the gallery so you don't have to carry the costs on your own before a sale.
- Save time with a process that's automated and comprehensive.

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Services for Emerging Artists

- Payroll Services, W-2, 1099
- Analysis of 1099 versus W-2
- Analysis of Deductible Expenses
- Bank Financing, Real Estate Purchases
- Strategic Gallery Planning
- Costing of Art
- Tracking Sales by Region & Country
- Public Art Works & Tax Benefits
- Proper Choice of Entities - C Corp, S Corp, LLC
- Detailed Pension Plan & Analysis - 401(k), SEP IRA

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Financial Strategies for Artists

Art Inventory/Consignment Management Services

You treat your work with care. But what happens when it's in someone else's hands?

Whenever your work is in a gallery, it's up to you to keep track of your gallery relationships, be aware of the terms (which might be different for each) and minimize your risk in case of loss or damage. If you don't have a process in place, this can be challenging and time-consuming.

Our Solution

- Determine which available system to use for tracking multiple pieces of inventory across a variety of consignment partners.
- Advise on how to create profitable business arrangements with your consignment partners.
- Advise on how to effectively manage financial relationships with galleries, including advances, insurance and termination clauses.
- Determine the cost of your art inventory, to ensure that gallery advances actually cover the cost of producing the art.
- Determine if the art inventory is properly insured.
- Review ownership rights of inventory - do you have the ability to request the inventory be returned and at what cost?

How You Will Benefit

- Enjoy peace of mind knowing you and your business are protected.
- Gain confidence in negotiating terms and relationships with various business partners.
- Save time with tools that automate the mundane organizational tasks involved in tracking inventory, produce useful reports, and input data into your accounting software.

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Services for Early Career Artists

- QuickBooks Online
- Excel Spreadsheet Development
- Filing Systems for Accounting Documentation
- Inventory Methods & Systems for Art Management
- Business License & Audit Defense
- Resale License & Sales Tax Return Preparation
- Analysis of Deductible Expenses
- In-House Bookkeeping versus Bookkeeping Services

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Financial Strategies for Artists

Captive Insurance Program for Artists

Captive insurance is a strategic way to insure against business risks. It can be an attractive solution for high-end artists for several reasons - you gain more control over premiums, stabilize your total cost of risk, get coverage flexibility that may not be offered elsewhere, and possibly gain a new source of revenue by selling insurance to others.

But captive insurance is complex and must be properly structured in order to give you adequate protection against potential losses and to satisfy IRS requirements.

Our Solution

- Conduct a feasibility study to determine if a captive insurance program is right for you and your business.
- Help you create a business plan and form the company, and help you secure regulatory approval and risk-sharing partners.
- Advise regarding ongoing management of the captive insurance and reassess the strategy as needed.

How You Will Benefit

- Protect your economic stability through proper distribution of your risk of financial loss. Gain new protections through coverage not available elsewhere in the market.
- Enjoy peace of mind that art pieces are covered while in transit.
- Establish a potential new ongoing source of profit through the captive insurance, which is run as a separate business entity.
- Gain tax deductions for your insurance premiums.

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Insurance for Collections and Inventory

Who will pay if your piece is damaged in transit? Questions of liability can keep artists up at night.

Peace of mind starts with having a system for tracking and managing art inventory, then making sure your pieces are covered - whether they're sitting in your studio, on display in a gallery or in the back of a moving van. If a piece is damaged on the way to an exhibition in a gallery or being installed in a collector's home, who pays to fix it in time for the show? Make sure it's not you.

Our Solution

- Assess your business, determine insurance needs and identify any gaps in current coverage.
- Set up a reliable inventory management solution that will help you track inventory, accounting and the terms of your various business relationships.
- Advise regarding any tax implications for your collections or inventory.
- Review and advise so you'll have complete contracts and agreements with your gallery.

How You Will Benefit

- Protect your business by securing sufficient coverage of your collections and inventory.
- Gain peace of mind knowing your collections and inventory are well-managed.
- Save money with better coverage when it's time to make a claim.

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Topics

- Captives
- Types of Corporation
- Estate Planning
- Foundations
- Sales License – SR Number – Sales Tax
- Bookkeeping
- Costing Products
- Insurance (Art Inventory)
- Copyrights / IP
- Contracts
- Tax Planning
- Restrictive Property Trusts / SEP Iras / Pension Plans
- 1099 Vs. W2 for Employees
- Property Tax Statements (Business)
- Studio Purchase, SBA Loans
- Art And Contributions