2018: What Can We Expect?

Transcript of Tax Seminar with Sandra Karas – Part 4 of 4

Hello, Equity sisters and brothers. This is Sandra Karas. I'm your Secretary/Treasurer. I'm also the chair of your VITA committee and the director of the program. VITA stands for Volunteer Income Tax Assistance. And our program in New York is 42 years old. We're celebrating, gosh, so many years of providing assistance to our fellow members and educating one another. And the more we educate, the more we can support one another.

So it's all about solidarity. And today, it's all about tax. If you're watching this on the member portal, it's probably because you, either, don't live near one of the cities that I've been traveling to in February to present tax seminars. Or you wanted to attend one but you just couldn't. Your schedule was too busy, or there wasn't enough room in one of the cities where I was presenting a seminar.

So I'm really glad we can talk to each other this way, although, I can't hear you. But anyway, this segment-- this is-- one of four segments to talk about income taxes. We talked about income and deductions. We talked about show business expenses. We talked about travel, out of town, and automobile expenses. Record keeping, how to keep your receipts, how to get ready for an audit-- all those things.

But this time, I want to focus on what's ahead for 2018. I know-- I know. We're all a little bit panicked, right? Don't panic-- take a breath-- we're going to survive this. But it was a blow. It was a blow to everybody, not just to those of us in the entertainment industry and the performing arts. It was a blow to a lot of Americans because a lot of deductions are going to go by the wayside as itemized deductions.

On December 22, the president signed into law, a sweeping tax bill, the likes of which we haven't seen since 1986. And I was around for that bill. I remember it very well. And we were buoyed by the fact that we had retained, not only our deductible business expenses. But we also put into place the qualified performing arts provision which we're hoping to update. So-- have heart for that too because I'm hopeful about it.

This year what this bill has told us is that as itemized deductions, our business expenses, our travel expenses, our moving expenses, are not going to be deductible as itemized deductions-- as miscellaneous itemized deductions. Now what does that mean? Where is it? Well, on the tax return, it shows up on the itemized deductions schedule. That's the one that has the medical expenses, the state and local taxes, real estate taxes, mortgage interest, charitable contributions, and us.

It also has some casualty and theft losses for those people who've suffered some losses due to a hurricane or some other disaster or have suffered a theft loss. We don't see a lot of that. But that's also on that form. And then comes us-- well what is us? We're employee business expenses. We've got our showbiz expenses. We've got job search expenses. We've got travel and transportation. We've got classes and coaching. We've got agents fees. We've got office supplies. We've got all of this stuff. Where's it going?

Well, it's not going to show up on the itemized deductions schedule anymore. And that's a big blow to us. Because for many of us if that was the only place we could deduct our expenses, we'd be losing a great deal in income tax. It's going to cost some of us more in tax. What I want you to understand is that because many of us have income that's not only W2 employee income, but is 1099 self-employed income-- freelance, independent contractor income.

Some or all of those expenses may still be deductible in the self-employment area-- in the independent contractor area even though they won't be deductible as employee expenses. Now you're going to say, which ones are which? Well, there isn't a one-size fits all for people. It's going to be decided on a case-by-case basis. Your tax expert will have to tell you. And you should consult with one, by the way, who understands all of these things.

Your tax expert is going to be able to tell you exactly what you might be able to do in the coming year. What else do we know about that? Well, we know that we have to keep our records. We know that we have to keep receipts. We have to do the same things we've been doing all these years in 2018 as though all of our expenses are still going to be deductible.

And why do I say that? Well, I suggested that some of them, maybe all of them-- it depends on what you spend and how you spend it-- might be deductible if we have self-employment to look at. We won't know until the time comes and you look at it on a case-by-case basis. The other thing I want to suggest is that there might be some technical corrections coming out this year. Because we're not the only tax payers affected by this very, very sweeping law.

There are lots of tax payers who are worried. There are lots of organizations that are worried. And they're going to be asking their legislators to try and-- put something back in-- give them a break-- find some changes-- find some corrections for them. We're doing that as well. Who knows how successful we'll all be. But we're hoping for technical corrections before the year is out.

We're also hoping that we can educate our legislators. And this is something that you and I can do-- all of us can do. And it's going to be very important this year for them to understand how this tax bill has negatively affected us. I'm going to tell you about the toolkit that's been created by Actors' Equity for you to use to help us educate and help you educate our House and Senate members in the hopes that if they hear from enough of us, they're going to restore some of these expenses back over on the employee side.

What you may ask is this? This is the Tax Fairness Toolkit. Actors' Equity, the Communications Department, and a lot of staff members have gone to trouble to help us educate our House and Senate members. And this is something that you can find on the member portal. And it tells you how to make your voice heard. So let's go through it really quickly. But I'm going to ask you to find it on the member portal-- either print it out or save it somewhere where you can refer to it so that you can contact your legislators.

So-- this says, the changes that were made to the tax law that impact you the most as an actor or stage manager won't go into effect until next year. Well, that's this year. But that means that you still have time to make your voice heard-- it does. So who to call? And then there's the website, www.govtrack.us.

And in the upper left, you enter your home address. And this will give you the contact information for your house and your Senate members. And it's really important that they hear from you. What to say-- well, there are some talking points here-- there are several of them. You can pick the one that you feel most comfortable with. You can use a combination of them-- whatever makes you feel comfortable in telling your legislators how you feel about the changes in the tax law.

For example, it says, it's important that we maintain our skilled performing workforce of artists all across the country. Equity's talented actors and stage managers are middle-class employees who work in jobs that can't be outsourced. And-- that goes on-- that talking point. Actors and stage managers spend anywhere between 10% and 30% of their gross income on ordinary and necessary business expenses.

This is a big loss for us. Until now we've been able to deduct these items freely. With this new law, we're severely limited as to what we can do. So help us level the playing field. Another talking point is, kind of, gives a little laundry list of what some of our expenses are. Some of those I've talked about. And this latest tax bill doesn't only provide the relief for Equity's middle class workers. But by raising costs for thousands of artists, it puts our entire industry at risk.

So as I said, these talking points-- they're all valid. But you might find something that fits into your philosophy that you feel you can say using any combination of these. The important thing is that you do it. This toolkit is something that is going to be our tool to, perhaps, get our expenses restored back over on the employee side. We're going to need them, and we're going to have to keep at these people day in and day out. They have to hear from us. They have to hear from you.

So-- as your fellow Equity member, I'm asking you, please do this. Take some time out to do it, because this is really important. Now what else do we know about 2018? Well, the elephant in the room, as they say, is that there is-- the option of forming an entity of some kind. What entity? Well, people are saying, form a corporation-- form an LLC, whatever that is-- form a partnership-- form a pass-through entity. Everybody's talking about all this stuff.

The problem with all of that is that most people don't form these separate entities like corporations and partnerships and other separate entity businesses because they're expensive. That's the reason many people haven't done it. Most performing artists can form an S-corp, for example, which is the pass-through corporation, if they have consistently high income. And they know that they're going to have this for the future.

How many of us can predict that? Well, some people can. So people are consistent higher earners. They're series regulars. That have regular work on Broadway. They do a combination of work. They have television film, commercials, and theater work. And for them, the corporation is a really good entity to form because they deduct all of their expenses. They have all their income coming through that business.

Equity has writers for the corporations that you can use that are really appropriate for those kinds of earners. But those corporations cost money. They cost money to form. They cost money to have the taxes prepared. They cost money to run payroll through. And in most states, if not all, you'd have to be willing upfront to waive your rights to unemployment insurance, among other things. There can be some workplace disadvantages. There can be some arguments over Worker's Comp if you are injured on the job.

So these are things that you should discuss with your tax expert. If you're a candidate for forming one of these business entities, then if it works for you-- and if it makes sense for your tax liability, then, by all means, do it. But you should be armed with all of the information as to what the costs are, what you might be giving up as an employee, and how it will affect your bottom line on your tax returns.

So that's the short conversation I want to have about it. The most important thing I can tell you is contact your own tax expert. Because she or he will know exactly what it is you need to do. So that's 2018. I know that there are no easy answers. There are no magic bullets for this. But the best thing we can do is go online, get that tax fairness toolkit, contact our House and Senate members, and save all of our receipts-- all of our documentation.

If you need additional help, don't hesitate to contact us at the Volunteer Income Tax Assistance VITA office, 212-921-2548. Or stop in if you're in the Tri-state area. We'll be happy to answer your questions. And believe me, I'm going to be staying current on all of this during the year. If there's any breaking news, you'll be the first to know. We'll get it out there.