

THEWRAP LIVE @ SUNDANCE FILM FESTIVAL



[PHOTO GALLERY](#)

[SEE THEWRAP'S
COMPLETE COVERAGE](#)

THE WRAP Covering Hollywood

Tax Tips for the Fledgling Indie Filmmaker to Keep the IRS Away (Guest Blog)

MOVIES | By **Dennis Brager** on December 3, 2014 @ 9:01 pm



Robert Downey Jr.

Many of those fledgling up-and-comers in the indie film industry focus on one thing: Becoming an overnight success as a filmmaker

For many in this unpredictable industry, success often comes in abundance, and, yes, overnight. But with all the champagne popping and money counting, many an indie filmmaker doesn't pause in the middle of all that celebratory chaos to consider sensible tax strategies for keeping the IRS from one day knocking at their door. And, that kind of oblivion tends to run rampant in the entire entertainment industry.

Also read: [TheWrap Screening Series: Arnold Schwarzenegger Is Unlikely Muse Behind 'The Dead Lands'](#)

Most of the more notable offenders have been the highly publicized cases of those in the music industry (Lauryn Hill, Lionel Richie, Robin Thicke, rapper Juvenile (his debt was staggering)—and let's not forget Willie Nelson! He let the tax consequences pile up until he owed the IRS \$16.7-million (though his lawyer talked them down to a \$6-million settlement). Still, it cost him everything—except for Trigger (his treasured guitar). It took him more than three years to dig himself out of that hole. Granted, he wound up paying only \$3.6 million, but that's a lot of scratch in anyone's book. Others in film and TV have had their Uncle Sam problems, too, like [Lindsay Lohan](#) and [Robert Downey Jr.](#)

And now, a whole new entertainment generation is likely to get slammed by the IRS (and other tax agencies) as well; namely, the indie filmmaker. When they hit pay dirt, some either forget to pay taxes or decide not to pay them at all. In the midst of becoming an overnight sensation with just one film, their attention is not on how to service their inevitable tax debt. Instead, it is on how and what to spend their pay dirt money on from their “break-through” film.

See photos: [Remembering Mike Nichols: 12 Movies the Hollywood Icon Directed \(Photos\)](#)

In the indie world, it takes one fortunate hit to “make it.” And, success comes fast. Inspired by their new-found triumph, the indie filmmaker tends to be on to the next film project shortly after finishing the last one. Details, like tax strategies or addressing tax requirements from the proceeds, don’t usually come to mind. Nope. This group typically hires (the tax advisor, tax attorney or tax consultant) after the fact—when they find themselves in trouble. It is then that they reach out for such a consultant in order to help them out of their jam. Suddenly a CPA or tax attorney becomes a “staple” in the filmmaker’s handler camp.

That’s where I come in. I’m the guy who helps clean up the mess. In order to help indie filmmakers avoid the same mistakes that got them into trouble, and before they sign their next distribution deal, I ask them to heed the following admonishments:

See video: [TheWrap Screening Series: 'Imitation Game' Filmmakers on Casting Benedict Cumberbatch and Going Indie](#)

- Watch out for tax shelters. If someone presents you one and it sounds too good to be true, it probably is.
- If you make a lot of income (even on one film) consider setting up a defined benefit pension plan. Depending on your age, you can defer hundreds of thousands in taxes every year.
- If you are fighting with the IRS as to whether you owe taxes or not, and the IRS is right, you will likely pay both interest and penalties. (That could add up to 50% more than what you initially owed.) So, be wise. Pre-pay the tax. If the IRS is wrong you will get a refund. Better to be safe than sorry.
- If you do owe taxes and can’t pay them, there are options, including payment plans or offers of compromise. In really bad situations, bankruptcy may be an option.
- At the end of the day, remember you are responsible for what is on your tax return. Review it. Ask questions if you don’t understand it. If you’re still uncertain, get a second opinion.
- If you get a notice from the IRS, let another tax lawyer advise you (not the CPA or tax attorney who first prepared or reviewed the return) because the first person who prepared the tax return or got you into a tax shelter or other “deal” may have had a conflict of interest. An objective opinion is what you want. Always.
- Keep impeccable records of all your production costs, both above and below the line. Make sure that any employee taxes are paid promptly.
- Make sure you have allowed for a reasonable sum of money for a line item in your production budget to cover the fees of a solid tax consultant. Some think they many only need a CPA.

Hopefully, that's the case, but if not, you won't stress when you need funds to cover the attorney who can do the bidding for you—the person who will work with Uncle Sam on your behalf.

✉ Email

19 Biggest Box-Office Bombs and Bumpers in 2014: From 'The Giver' to 'Winter's Tale' (Photos)



1 of 22

Cameron Diaz, Johnny Depp, Seth MacFarlane and Sly Stallone all had movies that missed the mark at the multiplexes

Kellan Lutz starred in the first of this year's two movies starring the Greek hero, "The

[View In Gallery](#)

[Read More](#)

✉ Email  Print

YOU MAY LIKE...

Promoted Links by Taboola

2015's Best Credit Cards