

Accountants & Business Managers

The views and opinions expressed in this article are not meant to substitute for legal advice which should be sought in each particular instance.

Introduction

Accountants and/or business managers play a crucial role in any successful recording artist's career. This article reviews some of their duties and some typical fee arrangements used when retaining these individuals.

Role

Most business managers are accountants and/or trained in accounting practices. They provide overall tax planning (i.e. setting aside amounts); coordinate/oversee a bookkeeper who works at more cost effective rates; tracks payments owing; reviews royalty statements; and pays bills on an artist's behalf. Some of these duties are discussed in more detail below.

Death and Taxes

It is true. One of the most important roles is with respect to tax compliance and tax withholding issues. As self-employed individuals, recording artists are responsible for paying their own income tax. There are dozens of stories of recording artists who fail to set aside proper amounts for tax purposes or fail to file taxes all together (i.e. Willie Nelson, James Brown, Chuck Berry, etc.). Don't stick your head in the sand – the taxman is not going away.

Any artist who tours and/or earns money in territories outside of Canada understands that there are various tax complications depending on which country you are earning income in and/or from. It is important to have a representative who is well versed in the nuances of the various tax schemes around the world – or at least have a network of contacts that help them stickhandle through various territories. Some of the rules that apply are specific to the music business so you should have someone who is a specialist in this field.

Your business manager will also assist with any audits or investigations related to tax authorities. They have an in-depth understanding of your financial affairs and are equipped to communicate your position clearly in a language that auditors can understand.

Tour Budgets

Business managers assist with preparing tour budgets. If the tour requires tour support, this budget would be presented to the record label and the business manager (along with the artist's manager or road manager) works with the record label on cutting the fat and

ensuring monies are spent wisely. Once the tour is finished the business manager would typically help assemble all the back up information (i.e. receipts for expenses incoming reports) and provide a final accounting for touring so that you can be reimbursed for expenditures.

While on the road, the business manager may be in daily contact with road manager who are collecting your money with respect to live performances as well as merchandise income. The business manager may play an active role in helping you develop systems, checklists to monitor your supply of merchandise and avoid costly overnight shipping costs.

Royalty/Income Statements

Business managers who are experts in the music field can review royalty statements and keep a close eye on third party record companies; music publishers; or, any other third party that owe you money. Similarly they can monitor your payment obligations to third parties (i.e. to record producers, mixers, etc.) to ensure that you are making timely and accurate payments to people you owe money to.

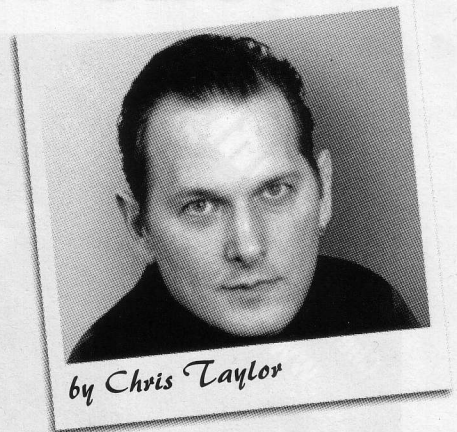
Business managers don't typically perform in-depth/official audits of third party royalty statements. Often, this work is left to experts in the field with the business manager and artist manager working in tandem to ensure proper royalties are paid.

Remuneration/Engagement

Generally, business managers bill on an hourly or percentage of income basis. Hourly rates can range between \$125 and \$500 in my experience. US business managers more typically bill 5% of gross professional income. Often business managers will employ or recommend bookkeepers to perform some of the more rudimentary accounting duties for a lower fee (\$25-\$50). Normally fees are paid on a monthly basis and any disbursements and/or filing fees are charged in addition to the fees paid (similar to attorneys). Musicians should be very careful about the percentage-based arrangement and how it is defined and compare that with potential hourly rates. Thankfully, most of these agreements do not bind musicians for any longer than 12 months – and sometimes 30 days maximum. You should make sure your attorney reviews the engagement letter on your behalf before signing.

Where To Find Them

There are a handful of very skilled business/manager accountants in Canada. You can find them in the annual *Canadian Contact Directory* (1-800-215-4814 under "Service Providers"). I routinely work with US-based



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business managers for clients who are active in the United States. I generally recommend Canadian business managers for my clients that live in Canada because Canadian tax law; estate law; insurance law (as discussed in this article) play a large role in their lives. Many of these Canadian business managers have US and international relationships that they can draw upon when expert advice is needed for particular ex-Canada circumstances. I also recommend, if the expertise is available, that my client choose business management that resides in their home city – frequent face-to-face contact is important in a relationship that is so critical. Ask your musician friends who they use; check with your manager and lawyer; and, meet with a few before making a decision.

General/Conclusion

We have outlined a number of the duties of the typical business manager in this article but there are others. Your business manager can be involved in reviewing your insurance status along with insurance advisors to ensure you have adequate coverage. They may also review contracts along with your attorney to make comments and/or suggestions from their perspective. A business manager will not provide investment advice but will recommend expert third parties to help you make your choices. Finally, they often participate in discussions involving your estate planning – you're not going to live forever right?

It is often not essential for a beginner artist to retain a business manager to perform the role outlined in this article but once a career picks up momentum, and cash flow permits, it is essential to consider hiring someone to look after the matters discussed above.

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