

## August 28, 2023 – Wealth Planning Commentary

### Taylor Swift's taxes, nothing to shake off

Summer is wrapping up, but for Taylor Swift, the party is just getting started. Taylor Swift's Eras tour has led to an incredibly profitable year so far – in fact, she is quickly on her way to becoming a billionaire. According to Forbes, Taylor's net worth is approximately \$740 million, and it's expected to increase with the proceeds from the tour. According to Pollstar, the tour is expected to gross \$1.4 billion by August 2024. Many of us need to address tax issues, but for Taylor Swift, it's on a much grander and intricate scale across countries, cities, and states.

EisnerAmper estimates that Taylor will earn at least \$552 million before taxes from the Eras tour. Her tax bills will likely be daunting. Assuming her income is taxed at the 37% federal rate, plus 8.55% for Social Security and Medicare taxes, Taylor's estimated tax liability would be \$214 million. We believe Ms. Swift is a resident of Tennessee, which does not levy a state income tax.

Taylor is also subject to entertainer's tax when she performs in some states. It's also known as a "jock tax" because professional athletes are also impacted. The entertainer's tax applies to non-residents who perform or play in a state and rates vary by city and state. Many states use a ratio to determine what portion of performances occurred in the state when the taxpayer was traveling. The entertainer pays tax on the portion of income from events in the non-resident state at its marginal income tax rates. If the taxpayer's resident state also has an entertainer's tax, they will receive a credit for the taxes paid to the non-resident state.

Entertainers and athletes can raise substantial revenue on behalf of local governments. Los Angeles expects the Eras tour to raise about \$47 million in tax revenue when her fans visit the city. Admirers spend at restaurants, hotels, and other tourist attractions and sales tax is applied to this revenue. Taylor's worldwide tour is expected to raise over \$5 billion in tax revenue for locales where she performs.

Beyond earnings for performances, Taylor Swift receives income from her merchandise, streaming albums, videos, and royalties. Royalties are treated as ordinary income and are subject to the 3.8% net investment income tax.

Taylor has accumulated substantial assets over the past couple of decades. She owns a combined \$150mm of real estate in New York, California, Rhode Island, and Tennessee. Taylor's Rhode Island home is notorious for the attention it brought to the small, wealthy enclave of Watch Hill. She purchased an \$18 million mansion in 2015, which led the Rhode Island Governor at the time, Gina Raimondo, to propose a second homes tax for properties over \$1 million. It was called the "Taylor Swift Tax". The proposed tax charged non-owner-occupied homes \$2.50 per \$1,000 of assessed value. That's approximately \$45k a year on Swift's \$18 million property. The legislation did not pass for reasons unrelated to Taylor Swift.

These are some of the tax issues that one of the world's most famous performers faces, including having a tax named after her. Ms. Swift likely retains a team of savvy accountants to help operate her empire. Many of us do not require a team of accountants, but a great accountant is valuable and highly recommended.

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