Contents

Chapter 1  Introduction  1
  Wesley and Willie  1
  Tax Planning  3
  Tax Law’s Complexity  8
  This Book’s Organization and Editing Style  9

PART I: U.S. DOMESTIC TAXATION OF ENTERTAINERS, ATHLETES, AND ARTISTS

Chapter 2  Income  13
  The General Rule  14
  Income of All Kinds  14
  Earned Worldwide, by U.S. Citizens (and Some Aliens Too)  42
  Related Issues to Be Covered Later  44

Chapter 3  Deductions and Credits  47
  What Kinds of Expenses Are Deductible, and Who May Deduct Them?  49
  Where on the Income Tax Return Is a Particular Expense Deducted?  81
  Why Does It Matter “Where” on the Tax Return an Expense Is Deducted?  88
  When Is a Particular Expense Deductible?  93
  Credits  107

Chapter 4  Tax Year and Cash or Accrual Accounting  109
  Tax Year  109
  Cash or Accrual Accounting  110

Chapter 5  Tax Rates and Taxes Payable  115
  Income Tax  115
  Capital Gains  118
  Alternative Minimum Tax  120
  Social Security and Medicare Taxes  124
## Contents

### Chapter 6  Tax Withholding 127
- Withholding from Wages Earned by U.S. Citizens and Resident Aliens 131
- Avoiding, or at Least Minimizing, Double Taxation and Redundant Withholding 135

### Chapter 7  Employee, Independent Contractor or Partner 137
- Employee or Independent Contractor 138
- Independent Contractor or Partner 149

### Chapter 8  Loan-Out Corporations 155
- What Is a Loan-Out Corporation? 158
- Benefits of Using a Loan-Out Corporation 159
- Burdens and Risks 180

### Chapter 9  Deferred and Contingent Compensation 201
- Deferred Compensation and the Enactment of Internal Revenue Code § 409A 201
- Does § 409A Apply to the Compensation Arrangement? 207
- Does the Plan Comply with § 409A’s Requirements? 230
- Are Corrections Possible? 248
- What Are the Consequences of Failing to Comply? 254

### Part II: International Taxation of Entertainers, Athletes, and Artists

### Chapter 10  U.S. Taxation of Foreign Entertainers, Athletes, and Artists 259
- IRS Classification of Taxpayers 261
- U.S. Taxation of Personal Service Income of Nonresident Aliens 268
- U.S. Taxation of Royalty Income of Nonresident Aliens 283
- U.S. Taxation of Income from the Sale of Artworks by Nonresident Aliens 293
- Use of Loan-Out Corporations in the United States by Nonresident Aliens 297

### Chapter 11  Foreign Taxation of American Entertainers, Athletes, and Artists 305
- The Possibility of Double Taxation of Foreign Source Income 305
U.S. Law Remedies to Reduce or Eliminate Double Taxation 306
Selecting the Remedy That Saves the Most 318

Chapter 12  Tax Treaties 323
Tax Conventions 323
Residency 328
Royalty Income 333
Personal Service Income 336
Income Earned by Entertainers and Athletes 340
Distinguishing and Allocating between Royalties and Artistes/Athletes Income 348

Chapter 13  Endorsement Income 349
U.K. Taxation of Endorsement Income of Nonresident Alien Entertainers 350
U.S. Taxation of Endorsement Income of Nonresident Alien Entertainers 355

Chapter 14  Tax Indemnity Agreements 373

Index 377