

Tax Tips from Someone Who Has Been There

by Warren Roos

I have just been audited by the state of Maine for compliance of sales and use tax. I was audited because someone I did a job for was audited and the auditor became curious.

The auditor was nice and only doing his job, and should you be audited I recommend being completely open. It will make the process go smoother and there is nowhere to hide things any way. He or she will ask to see everything: sales invoices, purchases, all of your records. My accountant long ago told me to keep records like you were

going to be audited and then when that day comes you'll have no information problems. Good advice.

As a photographer I create a product and license it's use. Buying photo and illustration rights can be confusing. The very first thing the auditor did was asked to see my terms and conditions of licensing. He knew what language he was looking for. When I sell a job I specify what rights are bought and for how long. I also have "fine print" that spells this all out. This is very important. If you are purchasing photos or an illustrations etc. and the terms are not spelled out this is a mistake for two reasons. First, if nothing is spelled out then you have purchased "nothing" and secondly should you or your vendor be audited sales tax will be due on the bottom line and someone will be up the creek. Imagine a photographer coming back to you asking for sales tax on a job you long ago billed! To protect against this image providers and purchasers alike should insist on having the grant of rights spelled

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Inside Scoop

Dave Abel recently joined **WCSH 6** (Portland) and **WLBZ 2** (Bangor) as General Sales Manager. Dave lead the overall sales effort for the statewide sales operations of both WLBZ 2 and WCSH 6. Prior to coming to Gannett's Maine stations, Dave served as both Local Sales Manager and National Sales Manager at the Gannett station WFMY in Greensboro, North Carolina. Prior to joining Gannett, Dave was VP/Group Sales Manager at Blair Television in New York.

Burgess Advertising & Associates has announced the promotion of **Judy Katzel**, APR, to President. Judy, who has served as the firm's Executive Vice President since 2003, will continue to oversee the day-to-day operations of the 22-person agency and the strategic planning for key accounts. As part of the transition, Meredith Strang Burgess, founder of Burgess Advertising, will move into the CEO position. This management change will allow her additional time to devote to community issues and interests.

Ethos Marketing has moved. Ethos will opened the doors to their new Westbrook office on Monday, February 6. They have renovated an 1830's foundry on the banks of the Presumpscot River and

turned it into a mecca of creative energy with soaring ceilings, floor to tree-top views, and 5000 square feet of work space.

Sean Wilkinson recently joined **Lapchick Creative** as a graphic designer. He is responsible for the concept and design of projects as well preparing final files for press and reviewing proofs. Sean received a BFA in graphic design from Maine College of Art, and subsequently worked for three summers with the Maine Summer Institute in Graphic Design. In addition to his work at Lapchick, Sean acts as an art director for The Bollard, an alternative news weekly, and stays involved with the local music scene..

Calendar

Friday, March 3: Ad Club luncheon program on Beer marketing. Doors open 11:30, lunch at noon. Cost is \$22 for members, \$27 for non-members.

Thursday, March 30: Ad Club social at Oolong. Come celebrate Spring with the Ad Club. 5:30-7:30 PM. RSVP to mcasey@maine.rr.com.

Thursday, May 18: Heart of Advertising/Day of Caring. United Way of Greater Portland Offices, Congress Street.

The Ad Club



The Advertising Club of Maine

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Designer Kim Goulet Norton

Officers: **President:** Dennis Gears, MaineToday.com; **Vice president:** Kim Laramy, Ethos Marketing; **Treasurer:** Kim Ferrell, Portland Radio Group; **Secretary:** Liz Phillips, WVIII.

The Ad Club Scoop is the official newsletter of the Advertising Club of Maine, P.O. Box 6171, Falmouth, ME 04105.

maineadclub.com

Check out our website for up-to-the-minute calendar events

Tax Tips

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out. Not doing this for all of the jobs I have billed would have been liable to State sales tax on the bottom line. So again it's important to know how to buy what you are buying as well as for the vendor to know how to license it. Sale tax is due of items like cd's, prints or disposable items that get passed and you need to keep accurate records and pay monthly, quarterly or yearly. In a nutshell, buying rights saves the buyer lots of money

and is the correct way to do business. Buying all rights forever needs to be taxed.

If it may be correct for the photographer to charge sales tax on the entire bill but the way I understand it, then he/she has manufactured a product and is not selling rights. If this is the case the agency or designer can't charge tax again. The simplest way is for tax to be charged at the last stop, typically the reseller who has marked the photo(s) or illustration and other costs up. But does tax need to charge for "rights". No. If the photographer charges

sales tax on the bottom line of more than 51 percent of their sales, they may not have to pay equipment use tax, but it's not clear (as mud) if rights are being sold. And you want to buy rights, cause, that's right, they are not taxable! Bingo.

Where I got busted was for purchasing lots of equipment out of State and not paying "use tax." Many of us buy specialized equipment (you can't get most of it here anyway) out of state but the state requires "use tax" on these items. The States also expects "use tax" to be paid on many of

the supplies you buy. For example, the cartridges and paper used in ink jet printers need to be logged and taxed. You should check with your accountant but basically almost all supplies used in creating your product are subject to use tax.

Don't worry, I did not ask the auditor to check up on any of my competitors but I hope if any of you are reading this you be carefully follow the State's use tax requirements. It is painful to pay with interest!

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