



Wood LLP

Tax Alert



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THE TAX LAWYER

TAXES 8/09/2014

Robert Redford Sues New York Over \$1.6 Million Sundance Tax Bill

Robert Redford has sued New York State over a personal tax bill that goes back to 2005. Regarded as Hollywood royalty, the Sundance Film Festival founder, celebrated actor, director, and producer is generally considered the godfather of indie films. He has a Patrician air, a golden touch, and liberal values and environmental chutzpah many people admire. He was named a “Hero of the Environment” by Time magazine.

Yet this time he has thrown his weight—and his lawyers—behind something just involving dollars and cents, albeit on an arguably Constitutional scale. Mr. Redford’s suit is over a disputed bill almost half of which is interest: \$845,066 in unpaid taxes and \$727,404 in interest, for a total of \$1,568,470. See [Courthouse News Service](#).

It's no wonder the interest adds up, since it goes all the way back to 2005. That was the year Mr. Redford sold a piece of his ownership stake in the Sundance Channel. Mr. Redford paid taxes to his home state of Utah, he notes, but New York now says he owes taxes there too.

Understandably, the lawsuit claims that he should not be subject to double taxation. His entity operated from Utah, he claims, with no property, payroll or receipts in New York. Now known as SundanceTV, the channel was named after the Sundance Film Festival Mr. Redford founded in Utah.

He didn't even know about the bill until recently, and that too was a shocker. Mr. Redford was the sole owner of a closely held company called Sundance TV in 2005. Through that entity, Mr. Redford owned an 85% stake in Sundance Television Limited. In 2005, Sundance Television Limited sold "a portion" of its 20% stake in the Sundance Channel.

The legal question is whether an owner like Mr. Redford who is resident in another state can somehow be taxed by New York. True, the Sundance Channel is based in New York. However, neither Sundance TV nor Sundance Television Limited had an office, property or employees in New York

One wonders if the tax mess could somehow expand to 2008. That was the year in which Mr. Redford and others (his partners at [NBCUniversal](#) and [CBS](#)) sold the rest of the Sundance Channel to Cablevision's Rainbow Media unit. It later was spun off and became a part of [AMC Networks](#). See [Hollywood Reporter](#).

As for taxes on his piece of the 2008 transaction, Mr. Redford indicates that he reported the gain. In fact, he paid tax on it in Utah, just the same way as for 2005. It wasn't New York income, he asserts. Mr. Redford notes that New York tax officials even audited the 2008 transaction, agreeing that it was correctly reported.

Mr. Redford's lawyers have asked the New York court for a ruling on whether it is constitutional to tax him—a nonresident of New York—on gain from selling a stake in a limited liability company. The suit wants the errant tax bill thrown out. Plus, the suit asks the court to award him with attorneys fees. Anyone who has faced tax disputes—perhaps especially the double pain of two different jurisdictions claiming a share of the same money, is likely to have a little sympathy.

In that sense, I'm rooting for Mr. Redford. I sure hope his lawsuit has a happier ending than [All Is Lost](#).

Contact me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.