



Wood LLP

Tax Alert



Robert W. Wood

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'Teenage Mutant Ninja Turtles' Is Surprisingly All About Taxes

Everyone knows they were the product of exposure to chemical ooze in New York sewers. But for an informed public, the New York Post compiled [10 things you didn't know about the Teenage Mutant Ninja Turtles](#). With the resurgence of the 1980s heroes, they're everywhere again.

The new movie, [Teenage Mutant Ninja Turtles](#) won't tell you every tidbit about the heroes in a half shell. And the movie certainly won't tell you about their taxes. But like death, taxes hit everywhere.

New York's tax collector did fine this time. The 2014 movie reboot shot for over 70 days in New York State, paid \$30 million in salaries in the state, and paid \$3.2 million in taxes to the state. But arguably even past generations of turtle fans owe something to the tax man.

Taxes figure prominently in the back story too. Leonardo, Raphael, Michelangelo and Donatello first appeared in a comic book in 1984. Created by Kevin Eastman and Peter Laird, it was funded by a tax refund and a loan from Eastman's uncle. Taxes matter, and so do tax refunds.



From that refund, billions followed. Eastman and Laird eventually struck a deal with Playmates Toys. Mr. Eastman estimates that he grossed \$50 million in 1991. He had so much money, his accountants urged him to find ways to spend it so he wouldn't have to pay taxes. He launched a publishing company and a comic book museum, both now closed. Sometimes, you need losses.

Between 1988 and 1992, Turtlemania meant sales of over a billion dollars worth of toys. The Turtles are the third bestselling toys of all time, only beat by G.I. Joe and Star Wars. That's a lot of money for toy companies, and a lot of royalties for creators.

Royalties are usually taxed as ordinary income. A 39.6% rate hurts, especially when you add state taxes. Sometimes clever people manage to get some of their money out at capital gain rates, 20% (plus in some cases the Obamacare tax of 3.8%).

The first turtle movie in 1990 was directed by Steve Barron, who did Michael Jackson's 'Billie Jean' video. Michael Jackson is still fighting taxes, even long after his death. His estate is locked in a court battle with the IRS over the value of his image rights and other intellectual property on his death. Stay tuned.

In the 1980s, the voice of the Shredder was the late James Avery, who played Uncle Philip on [The Fresh Prince of Bel-Air](#). There's a tax story there too. In 1989, Will Smith was a successful rapper, but he overspent and was in deep to the IRS, \$2.8 million.

The IRS seized assets and income, and Smith was staring down bankruptcy when NBC asked him to star in a sitcom about himself. The show ran for six seasons, one of the best sitcoms of the 90's. That's right, Will Smith agreed to star in [The Fresh Prince of Bel-Air](#) because he [owed the IRS \\$2.8 million!](#)

Since the turtles love pizza, marketing tie-ins were a natural. Pizza Hut and Domino's battled to sponsor the pie-loving heroes upon the release of the 1990 movie. Pizza Hut won. Pizza Hut and Dominos have both had tax issues, usually involving franchisees, including the time [Kansas was Hungry For \\$40 Million Tax Slice Of Pizza Hut](#). Of course, [Pizza Hut hosts a \\$10.99 Tax Day deal](#), and Domino's often does too.

Speaking of pizza, no matter how much pets eat—and for the moment, let's assume *someone* might view the turtles as pets—you can't claim them as dependents on your taxes. That strikes a lot of people as unfair, which is why a proposed tax bill, [H.R. 3501](#), the "Humanity and Pets Partnered Through the Years" (HAPPY), would allow pet expense deductions up to \$3,500 a year.

The bill languished in Congress despite endorsements by the Humane Society, the SPCA, the Animal Law Coalition, the American Veterinary Medical Association and the Pet Industry Joint Advisory Council. Maybe the Turtles can change that.

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.