



Pioneer Bank & Trust

Trust & Investments

Local.

704 7th Ave, PO Box 729
Belle Fourche, SD 57717-0729
Phone (605) 892-3494
Fax (605) 892-2115

2001 W Omaha St, PO Box 9189
Rapid City, SD 57709-9189
Phone (605) 341-2265
Fax (605) 341-7425

140 E Jackson Blvd, PO Box 10
Spearfish, SD 57783-0010
Phone (605) 642-2725
Fax (605) 642-1736

Tax exile

Rock star David Bowie died of cancer in January at age 69. According to a recent account in *TaxNotes*, Bowie became a tax exile in 1972. At that time he had accumulated U.S. and California tax debts of some \$300,000. As England then had a top marginal income tax rate of 83%, that also was not very inviting. Bowie's wife at that time, Angela, had been educated in private schools in Switzerland, so she suggested that they explore relocating there.

The couple flew to Switzerland, hired a local lawyer, and negotiated Swiss legal residency in Blonay, a village near Lake Geneva. Bowie was required to spend significant amounts of time in Switzerland to maintain that status, but in exchange his income was taxed at only 10%.

Reportedly Bowie later changed his legal residency to Ireland by purchasing a 640-acre estate near Dublin. This could have been an even better tax deal than that offered by Switzerland. After 1969 the Irish tax code exempted royalty earnings of musicians, writers and other artists from income tax. The exemption was capped in 2007, leading some artists to relocate to The Netherlands.

Another savvy move by Bowie in the financial realm was the creation of Bowie Bonds in 1997. \$55 million worth of bonds were sold, secured by Bowie's back catalog. The interest and principal payments for the bonds came from the royalties from some 300 songs that he wrote and still owned. When the bonds were fully paid off, the intellectual property rights reverted back to Bowie. This model for securitization of royalty rights has since been emulated by other artists.

Press reports pegged Bowie's estate at about \$230 million. No word yet on which nation or nations expect to impose an estate tax on it.

(February 2016)

© 2016 M.A. Co. All rights reserved.