

The Promise of the Creative Economy: Shared Prosperity Through Strong Worker Standards

Statement of Sandra Karas

On Behalf of Actors' Equity

Before the House Committee on Small Business

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Chairwoman Velazquez, ranking member Luetkemeyer, thank you for the invitation today. I'm Sandra Karas, an actor, Secretary-Treasurer of Actors' Equity Association a member of SAG-AFTRA's New York local board and an alternate to the SAG-AFTRA national board. I also appear before you as a small business owner. I'm a tax attorney, accountant, and financial advisor with a practice here in New York.

You are going to hear today about the power of the creative economy, and the live arts in particular – rightly so. The arts and culture sector is responsible for [5.2 million jobs](#) and [4.3 percent of GDP](#). The live arts have a huge halo effect on small business – every time someone goes to see a live event, they spend on restaurants for dinner, parking garages and taxis for travel, hotels to stay overnight, and childcare. Nationally, that amounts to more than [\\$100 billion in additional spending, much](#) of it spent at small businesses.

The creative economy shows how we can drive economic growth for business **AND** workers. The reason for that is unions. I'm speaking to you today on behalf of Actors' Equity Association, the union representing actors and stage managers in the live theater. For more than a century, Equity members have organized and set standards and working conditions in theaters across the country. Our members work from Los Angeles' 99-seat non-profits, to Kansas City's Starlight and St. Louis' Rep, to Buffalo's Kavinoky, and the Wintergarden on Broadway -- and everywhere in between. We have negotiated contracts that include health care, pensions – and even profit sharing for some productions. As the original gig workers, we are the proof that companies need not choose between profits and W-2 employee protections.

The pandemic has indeed created a crisis. While many businesses have recovered, the new variant has brought tremendous uncertainty and job loss in the live arts once again. Since December, some nine Broadway shows have closed, some permanently, others until spring. Closings and delays are happening around the country right now. In Minnesota, [just last week the Guthrie](#) delayed one show and canceled another. When shows close and are delayed, that means lost earnings and health insurance put at risk for everyone, not just the actors and stage managers. When live events close, small businesses also feel the crunch. In Times Square, holiday foot traffic was down nearly 30 percent from pre-pandemic levels. A quarter of area businesses remain closed. Our industry is not “back to normal.”

There is one way you can help all of us arts workers. Congress has an opportunity to pass the Performing Artist Tax Parity Act or PATPA, which modernizes a provision enacted by President Ronald Reagan and will provide relief to entertainment workers.

Performing artists pay a high percentage of their income on necessary out-of-pocket costs to look for work and stay current in the industry. We pay agents and managers, transportation to auditions, to maintain our websites, headshots, video reels – and more. It can amount to 20-30 percent of our gross income. Previously this was deductible. But because of an unintended consequence of tax reform, we lost the deductions of our unreimbursed business expenses. This means a tax increase, often of thousands of dollars for working-class artists.

I have seen heartbreaking stories at the Volunteer Income Tax Assistance Program, housed in the Equity office, where volunteers process thousands of free tax returns annually for low-income arts workers. One young taxpayer, upon learning that his liability increased by more than 30%, wondered aloud how he was going to pay his rent.

As we return to work, the last thing we need is a tax code that punishes us for **seeking** work. This bill is targeted to low-income and middle-class taxpayers, **not** the high-earning stars. It is consistent with the original goal of tax reform, to give working and middle-class taxpayers a break. I commend Representatives Chu and Buchanan for leading the effort to pass this bill in the House. Thank you, also to Representatives Newman, and Garbarino for cosponsoring. I ask you all for your support.

The Performing Artist Tax Parity Act is Equity's top legislative priority. It is endorsed by unions AND employers. But it is not our only priority. We also released [a federal policy agenda for inclusion in the arts](#), in partnership with our fellow arts unions. We believe the National Endowment for the Arts should create a chief diversity officer to drive inclusion deeper into the grant process. And we strongly support the CROWN Act to end hair discrimination in our industry.

On behalf of all the arts unions, I want to thank the small business committee for helping to make sure that unions were treated fairly during the pandemic by allowing access to the paycheck protection program. Our staff worked harder than ever and this program was a lifeline. During the pandemic our staff pivoted – we helped thousands of members navigate confusing state unemployment systems. We partnered with former head of OSHA, Dr. David Michaels to develop new COVID safety standards, and shared our research with employers to help keep everyone safe. And of course, we worked around the clock to make sure employers lived up to their obligations to pay members what they were owed and maintain a safe workplace. We also made a direct contribution to The Actors Fund during the early days of the pandemic to help members pay rent and basic human needs.

There are some other critical gains that were made during the pandemic that should continue. Congress expanded subsidies for the Affordable Care Act during the pandemic, which was critical for our industry. We hope those subsidies are renewed. The unemployment system still needs serious reform. Because pandemic supplemental unemployment provisions have expired, workers in our industry are getting by on as little as \$275 a week in some states.

I will conclude today where I started. The arts sector is a robust contributor to our national economy because of a strong union presence, not in spite of it. In an industry where competition is keen and there are more workers than jobs, we ensure workers have a voice in their workplace, secure standards and safe working conditions.

Some have suggested that we should lower standards and realign federal policy to promote independent contractors. We disagree. Those who suggest otherwise too often do not disclose that independent contractors lack the protections that come with W2 employment, like workers'

compensation and unemployment insurance, disability insurance, and employer contributions to Social Security and Medicare. The federal definition of employee is someone whose work is controlled by another, including when, where, and at what rate of pay. Entertainment professionals are hired, directed, and controlled by the employer, who engages these employees in the normal course of business operations. Our employers rely on a ready work force to show up on time and with the skills necessary to perform the job. In return, they agree to provide decent wages and working conditions and the employer protections under the law. As we've just seen during the pandemic, these are critical basic protections that all workers should have, especially in the arts.

That is why the PRO Act has our full support. It will reform outdated labor laws and protect against exploitation and employee misclassification, which is unfortunately far too common in our industry. It will help the arts and culture sector – and workers – prosper into the next century. A healthy arts and culture sector with strong worker protections means not only shared prosperity and economic development, but that our nation is able to have moments where we come together through the live arts to connect with one another, to share an experience, to dream, and to sometimes even deepen our capacity for empathy.

That is the true promise of the creative economy.

Sandra Karas
Secretary-Treasurer
Actors' Equity Association