

## **Cambridge Arts & Entertainment District Affords Income Tax Savings for Artists**

(January 13, 2014) – Cambridge, MD -- Mural artist Michael Rosato planned to build a painting studio at his home near Cambridge. Then he discovered the tax benefits of creating artwork in the studio he now owns in the City's Arts and Entertainment District.

The lure of working from home was attractive, but Rosato could not ignore the financial savings that came with being in downtown Cambridge. As a Dorchester County resident, he does not pay Maryland state income tax on the art he sells that is designed and produced in his A&E District studio.

"It makes great financial sense," says Rosato, whose artistic works include the new Chesapeake-themed mural along Cambridge Creek outside The J.M. Clayton Company. "I have affordable space in a supportive, pro-art community, and all the work I create here is free of Maryland state income tax. It's a fantastic deal."

But Rosato is in the minority. Many artists don't consider locating in the A&E District because they are unaware of the potential income tax savings and the categories of creative works that qualify for this benefit.

"There's a common misunderstanding that the Maryland income tax subtraction applies only to artistic services that are physically sold or delivered and produced in the District," said Tim Sharp, CPA, an accountant with Mid Shore Tax & Accounting Group. "But transactions by phone, mail and internet for commissioned work created in the District can also apply as long as shipping also occurs from the District."

The artist definition, according to Sharp, also encompasses more and can include visual arts, written works, musical and dance composition, film and photography, clothing design and traditional and fine crafts.

Natalie Chabot, Director of Economic Development for the City of Cambridge, wants to educate artists living elsewhere about the benefits of moving their studios to Cambridge's A&E District, which overlaps with the city's historic area.

"Cambridge offers a compelling artistic and business proposition," says Chabot. "We have several spaces available that can be converted to studios and are extremely appealing from a design perspective. The City also offers the Eastern Shore lifestyle and the incredible canvas of the Choptank and surrounding waterways that is an inspiration to so many artists."

Chabot says the benefits are an incentive for those seeking affordable live/work space. For instance, purchasing a creek-side condo or a home on Cambridge's historic High Street offers the benefits of living and working in the District. Ideal candidates for A&E benefits are artists that live in counties and communities where no A&E Districts exist.

At the end of December, there were 23 residential and commercial properties in the District for sale that ranged from \$28,000 to \$699,000. Most are under \$250,000. Many others are available for rent.

They include storefronts, also eligible for Maryland historic tax credits and Cambridge façade improvement grants, and interior spaces on High, Poplar, Race and Muir Streets.

The boundaries of the Cambridge A&E District extend from northeast shores of Cambridge Creek and across the drawbridge including parts of the creek shoreline north to the Municipal Yacht Basin, west to just beyond High Street and south to encompass parts Pine, Washington and Cedar Streets.

The Cambridge A&E District was created in 2003 thanks to a monumental effort spearheaded by Heather Rosato, Greg VandeVisser and Joy Staniforth, owner of Joie de Vivre Gallery and several loft studios in the District. Through an 'arts community' effort, led by the Cambridge Economic Development Department, the District was recertified in 2013.

"It's been a tremendous benefit for our community complementing our Main Street program, historic preservation efforts and community revitalization," Staniforth said.

David Harp, a two-term Maryland State Arts Council board member and renowned photographer whose photos are among the work displayed at Joie de Vivre, says the program has helped to bring life to what has been an economically distressed area.

"We have seen businesses like Leaky Pete's Oyster and Wine Bar, Jimmie & Sook's Raw Bar and Grill, and Realerevival Brewing open here and enhance the vibe of the District through commissioned art works, music performances and events," said Harp. "They complement the great work by local artists on display at the Main Street Gallery and the weekly events at the Dorchester Center for the Arts which features the artisans gift shop, performances, instructional classes and workshops."

Another advocate of the A&E District is Andrea Vernot, who owns Dorchester-based Choptank Communications, a marketing and public relations firm. Vernot helped to promote Maryland's A&E Districts in the late 2000s when she served as Deputy Assistant Secretary of the Maryland Department of Business & Economic Development's Division of Tourism, Film and the Arts.

She says A&E Districts offer artists an economic incentive to pursue their vocation.

"Most artists don't earn significant income from their work until they are successful and well established," she said. "The A&E District invests in their futures, lifts them up and lets them keep more of what they've sold or produced. Depending on earnings, tens of thousands can be saved."

Information about the A&E District tax subtraction is available from the Maryland Comptroller's Office at [http://forms.marylandtaxes.com/07\\_forms/502AE.pdf](http://forms.marylandtaxes.com/07_forms/502AE.pdf)

For more information on the artists' studios and creative endeavors in the Cambridge A&E District contact Cambridge Economic Development 410-221-6074 or email [ced@choosecambridge.com](mailto:ced@choosecambridge.com). Go to [www.choosecambridge.com](http://www.choosecambridge.com) for more info or click here to see a partial list of the commercial and residential properties for sale and rent within the A&E boundaries.

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