

A vibrant, stylized illustration of an underwater scene. The background is a deep blue, representing water. In the upper left, there's a large, abstract coral structure in shades of orange and red. To its right, a school of yellow fish swims towards the right. Below the coral, a cluster of white, oval-shaped bubbles or shells is visible. In the upper right, a green area represents a sandy or rocky seabed, with several red circles scattered across it. At the bottom left, there's a green, leafy plant. At the bottom right, a white, curved shape suggests a diver's helmet or a piece of equipment, with three red lines extending from it. The overall style is flat and modern.

How to get 99% of your royalties

An e-book

The logo for The Indigo Incubator, featuring a stylized eye with radiating lines above the text.

THE
INDIGO
INCUBATOR

How to get 99% of your royalties

As a music producer or artist

A 2015 Berklee College of Music [report](#) found that anywhere from 20% to 50% of music payments do not make it to their rightful owners. Kobalt [calculated](#) that there are over 900,000 royalty streams per song. After reading this, you should know how to make sure you register your work properly and obtain all of the royalties that are rightfully owed to you.

For indie artists without a label or a publisher, you have to know what these royalties are and know where and how to get them.

Terminology

Artist // Artists record sound recordings. Whitney Houston was an artist. She did not write her song “I Will Always Love You.” So she is not the songwriter. Record labels represent artists. A band is an artist. A rapper is an artist. A singer is an artist. Typically whatever name is on the album is the artist.

Songwriter // Songwriters write the compositions. Lyrics, music, etc. Publishing companies represent songwriters.

Sound Recording // Some call this the “master,” which simply refers to the actual recording or the “mastered track”. Traditionally, labels (because they own the master) collect royalties for sound recordings. Sound recordings are not to be confused with compositions. Artists record sound recordings.

Composition // This is the song. You know, like your demo -- the actual song -- not the recording. Traditionally, publishing companies (because they own the composition and represent songwriters) collect royalties for compositions. Songwriters write compositions.

PRO // Performing Rights Organizations. In the United States, these are ASCAP, BMI, SESAC and Global Music Rights (GMR). In Canada this is SOCAN. In the U.K. it's PRS. Pretty much every country in the world has its own PRO and they work together to collect royalties from each other's territories. These organizations represent songwriters, not artists. These are organizations that collect performance royalties (not mechanical royalties—we'll get to those in a bit). PROs make money to pay their songwriters and publishers royalties by

collecting money from thousands of venues and outlets (radio stations, streaming services, TV stations, department stores, bars, live venues, etc.) that have been required to purchase “blanket licenses” giving these outlets permission to play music in their establishment (or on the air). The PROs then pool all of this money and divide it among all of their songwriters and publishers based on the frequency and “weight” of each song’s “public performance.” The PROs then pay the publishing companies their 50% and the songwriters their 50%. PROs split “publishing” and “songwriter” royalties equally. 50/50. This is not a deal you negotiate. This is just how they do it for everyone from Taylor Swift down to you and me. 50/50.

Steps to Make Sure You’re Collecting Your Royalties

1) Find out what the PROs are in your country and pick one and sign up.

- Any songwriter in the U.S. can sign up for ASCAP or BMI without being invited or having to apply. ASCAP and BMI are both not-for-profit organizations. SESAC and GMR are for-profit and you must be accepted.
- **ASCAP CAVEATS:** **It’s important to note that if you sign up with ASCAP as a songwriter, you also need to register a “vanity publishing company.” That means, just make up a name (mine is Proud Honeybee Music) and register your publishing company with ASCAP. You must do this to get paid all of your money. If you don’t have your vanity publishing company registered as a corporation (like an LLC), or have a bank account under its name, make sure to tell ASCAP you are “doing business as” the vanity publishing company so they can write the checks appropriately. You can also sign up for direct deposit which expedites this entire process. **ASCAP pays out 50% of the total money to the songwriter and 50% to the publisher. If you don’t register a publishing company, you will only get half of your money.**
- **BMI CAVEATS:** If you are an unaffiliated songwriter with BMI, you don’t need to register a vanity publishing company. BMI will pay you 100% of the money.
- **DISTRIBUTION CAVEAT:** If you sign up for an admin publishing company (like Songtrust, Sentic CD Baby Pro or Tunecore Publishing), they will collect your publishing money from your PRO, take their commission (15-20%), and pay you out the rest. So, you don’t need to register a vanity publishing company (if you’re with ASCAP) or register it as an LLC or open a bank account. This is a far easier option.

Use a Digital Distribution Company to Share Your Music

Some people call them digital aggregators. These companies are how you get your music into Spotify, Apple Music, Amazon, YouTube Music, Deezer, Tidal and 80+ other digital stores and streaming services around the world.

Sign up for SoundExchange

A lot of people confuse SoundExchange with PROs because technically SoundExchange is a performing rights organization. SoundExchange represents artists and labels whereas (the other) PROs represent songwriters and publishers. Unlike the four PROs in America, SoundExchange is the only organization in America that collects performance royalties for “noninteractive” digital sound recordings (not compositions). “Noninteractive” means you can’t choose your song. SiriusXM radio is noninteractive, whereas Apple Music and Spotify are “interactive.” Beats 1 (within Apple Music) is digital radio (noninteractive). Part of Pandora is still noninteractive as well.

SoundExchange has agreements with twenty foreign collection agencies. When your music is played in their territory, they pay SoundExchange, and SoundExchange pays you. Like the PROs, SoundExchange issues blanket licenses to digital radio (noninteractive) platforms (like Pandora and SiriusXM) which gives these outlets the ability to play any song they represent. Like the PROs, the outlets pay an annual fee for the blanket license. But, SoundExchange collects only digital royalties. The PROs collect digital, terrestrial (AM and FM radio) and live royalties.

EDITORIAL: Oddly enough, the way the copyright law is currently written in the United States, AM/FM radio has to pay only composition performance royalties and not sound-recording royalties. Makes no sense. The U.S. Copyright Office has recommended that this law be changed, but only Congress can do that, and the few times it has tried, the proposal was defeated, largely as the result of heavy lobbying by Big Radio.

So, again, SoundExchange = digital sound-recording royalties for noninteractive plays in the U.S.

How To Sign Up For SoundExchange or Your Country’s Neighbouring Rights Organization

If you are a U.S.-based artist, go to [SoundExchange.com](https://www.soundexchange.com). If you are both the performer (artist) and the owner of the sound recording (meaning you don’t have a record label), simply select “Both” on the second page of the registration when it asks you to select: Performer, Sound Recording Copyright Owner or Both. It’s a

long process and you have to submit a full catalog list. When I did this, I had to email in a complicated Excel doc with lots of info. Plan a weekend to do all of this. It's time-consuming, but worth it.

Backup Musicians and Session Players

If you played on a record as a session musician and that record was released by a label registered with AFM & SAG-AFTRA A, you are entitled to various royalties (not just from SoundExchange). It's definitely worth checking the [AFM & SAG-AFTRA Fund website](#), to see if you have out-standing royalties.

Sound Recording Digital Performance Royalties

In the United States, these are just from noninteractive digital streaming services, also known as digital radio. Outside the U.S., these are from radio (digital and terrestrial), TV, jukeboxes, bars, cafes, shops, night-clubs, gyms, universities, and anywhere there is a "public performance" of a recording.

How to Get Paid: SoundExchange in the U.S., PPL in the U.K., Re:Sound in Canada, or your country's neighbouring rights organization.

+[Register for SoundExchange here](#).

Download Sales

These result from someone downloading your music on iTunes, Google Play, Amazon, etc.

How To Get Paid: Your distribution company But, remember, if a fan downloads your music on Bandcamp, you get a check directly from Bandcamp because Bandcamp is a self-managed (as in you manage it yourself) store.

+[CD Baby](#), [Tunecore](#), [DistroKid](#), [Ditto](#), [Loudr](#), [MondoTunes](#), [Symphonic](#), [ReverbNation](#) or...

Interactive Streaming Revenue

There are lots of different kinds of streaming revenue. But interactive (meaning you choose the song) streaming revenue (like from Spotify, Apple Music, Deezer, Tidal) goes to the artist/label. When these services claim they pay out 70% of all revenue, the 70% is for both the artist/label revenue and the songwriter royalties (mechanical and performance royalties). Streaming revenue to artists is way more than the mechanicals paid to songwriters.

How to Get Paid: Your distribution company

YouTube Sound Recording Revenue

Technically there are a bunch of “assets” (streams of revenue) for each video. To make it simple, we’ll just get into how you can earn money. First, for the sound recording (we’ll get into the composition in the next section). You can make money off of any video that uses your sound recording (whether you uploaded the video or not) if you allow YouTube and Facebook to put ads on the video (they call it “monetize”). Either videos you upload or fan-made cat videos with your sound recordings can generate ad revenue that you can collect if you are a verified partner. YouTube splits the ad revenue 45%/55% in your favor. Facebook (and Instagram) have not publicly discussed their rates.

How to Get Paid: Most digital distribution companies have this option via an opt-in check box. If your distributor doesn’t handle this, you can work directly with YouTube to become a verified partner or sign up for an independent revenue collection company like [Audiam](#) and AdRev. But it’s easiest if you keep everything under one roof.

Master Use License

Any TV show, movie, commercial, trailer or video game requires both a master use license (from the artist/label) for use of the sound recording and a sync license (from the songwriter/publisher) for use of the composition. These days, most music supervisors (the people who place the music), will just pay you (an indie artist) a bulk amount for both the master use license and the sync license (because most indie artists wrote and recorded the song).

But if you’re repped by a label and a publisher, the supe (that’s short for music supervisor) will go to your label and pay for a master use license and then to your publisher and pay for license. Usually it’s the same amount, but not always.

How to Get Paid: Directly from the TV studio, ad agency (for a commercial), production company (for a movie or trailer) or game company. It's best to work with a sync licensing agent for this.

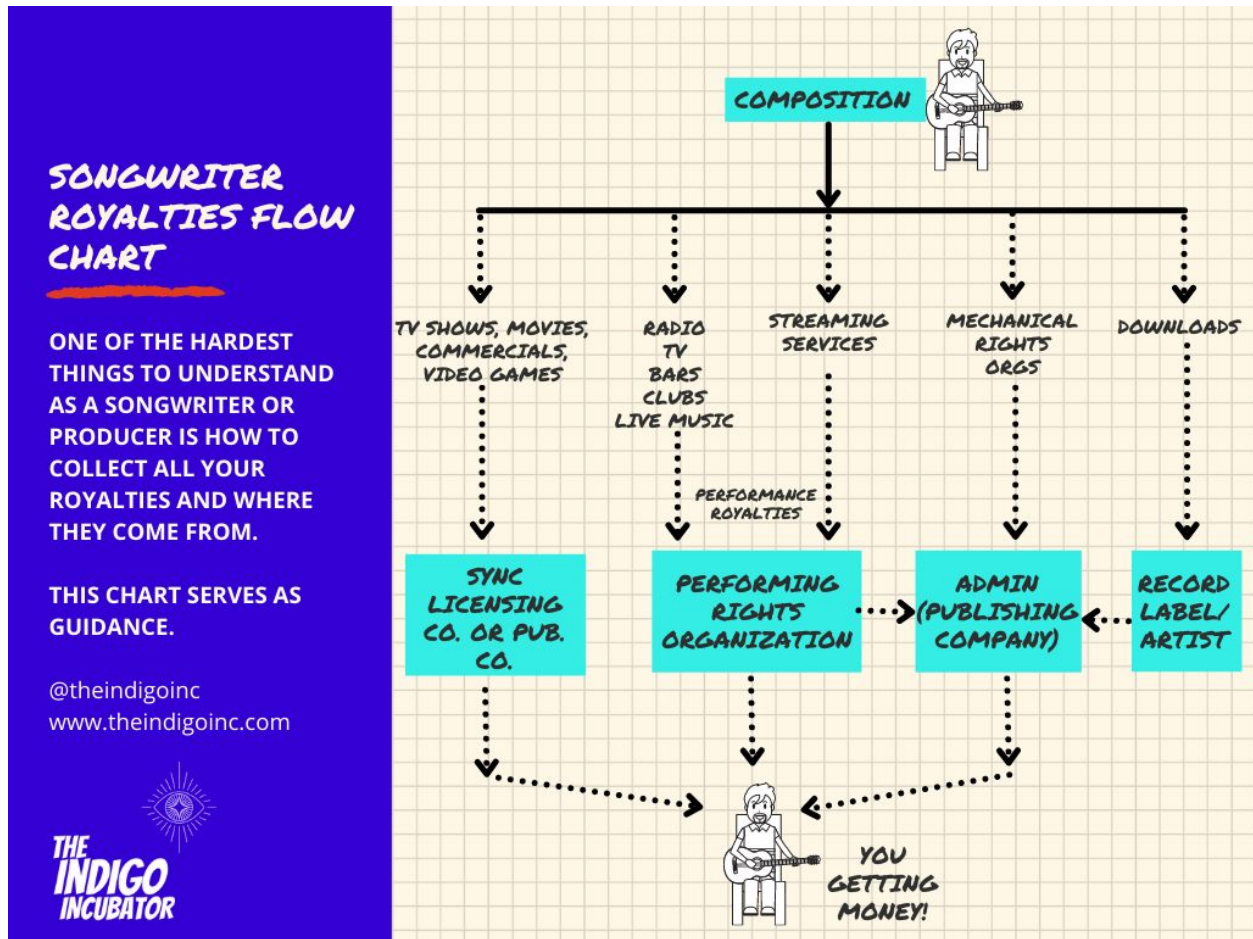
TV Commercial Residuals

If your music (with vocals) gets on a SAG-AFTR A union commercial you can also earn these royalties. And these definitely add up. I was in a Bud Light commercial (as an actor), and in SAG-AFTR A residuals, I got about \$10,000 a month for the duration it was on the air. That was for hanging out at a (fake) barbecue holding a can of Lime-A-Rita and laughing on cue a lot. If one of your recordings with vocals gets into a union commercial, you might make something like that. Many commercials run about six months, that could be \$60,000 just in SAG-AFTR A residuals. When getting a song synced on a commercial, make sure you always ask if it is a SAG-AFTR A commercial so you can call up SAG-AFTR A and get these royalties.

How to get paid: SAG-AFTRA

If, however, SAG-AFTRA doesn't have your mailing address, they won't know who to pay. Contact SAG-AFTRA directly and give them your info when you have a recording played on a TV commercial. Worth mentioning, you do not need to be a SAG-AFTRA member to get paid.

Songwriter Royalties



Composition Performance Royalties

These come from plays on the radio (AM/FM or digital), interactive and noninteractive streaming services (Spotify, Apple Music, Deezer, Pandora, YouTube Music, Amazon), live at a concert (yes, even your own), in restaurants, bars, department stores, coffee shops, TV. Literally any public place that has music (live or recorded) needs a license from a PRO to be able to legally play music in their establishment. For some reason, American movie theaters are exempt from needing a public performance license for the music used in the films, and no one gets paid residuals when songs are played in the films. Music played in movie theater lobbies and bathrooms is different and can be licensed (and earned on). When a movie is played on TV, the songs in that movie earn royalties. When that same movie is played in a movie theater, those songs do not earn royalties. Makes no sense. It's just the way it is.

However, royalties are generated for movie theaters outside the U.S. And for an international smash, it could add up to be some serious cheddar. I've heard of amounts in the hundreds of thousands of dollars. Not yen. Dollars, baby!

Of course if a coffee shop has the AM/FM radio playing, and if you're with ASCAP, you (most likely) won't get paid when your song is played there, because ASCAP most likely won't be conducting a survey of that radio station at that exact moment, but if the shop has Pandora or SiriusXM on (or other piped-in Muzak services), this is tracked and you will (eventually) get paid on the plays. The system is currently being worked out and not everything is tracked yet, but eventually, say, in a few years, it will be. ASCAP uses a "sampling" method, where they employ an electronic monitoring system, MediaMonitors/MediaBase, for sample performance data from commercial, public, satellite and college radio. The sample data is then loaded into ASCAP's Audio Performance Management system where it is (mostly) electronically matched to the works in the ASCAP database. ASCAP states that they supplement this data with station logs and other technology vendors and methods that capture ads, promos and themes, and background music. BMI also uses sampling. They say they use "performance monitoring data, continuously collected on a large percentage of all licensed commercial radio stations, to determine payable performances." They also use their "proprietary pattern-recognition technology." They call it a "census" and claim it's "statistically reliable and highly accurate."

My song was played as bridge music on NPR's All Things Considered (for 13 million people). I won't be getting paid for this (unless ASCAP happened to be running a sample of NPR at that exact moment).

Tip: Most PROs (like ASCAP, BMI, SOCAN, PRS, etc.) have a program where you can import your setlist and venue information to secure payment of your live performance royalties (for performing your originals in a club, theater, grocery store, arena, wherever). This can actually be a pretty good chunk of change. In the U.K., for instance, PRS calculates this as £10 per show for non-ticketed gigs (like cafes and pubs) or at least 4% of box office sales for ticketed venues (any size from clubs to arenas). The 4% is then divided among all of the songs performed at that venue that year split between headliners (80%) and openers (20%). I recently heard that an opener of a big arena tour in Europe playing just four songs a night was making about £9,000 (about \$11,000) per night in performance royalties!

So it's super important that you register your setlists with your PRO. Some admin publishing companies (like Sentric) will register your setlists with the PROs in the

regions you tour—but you must ask about this. Many PROs, however, require the artist to input their setlists directly. ASCAP also runs a separate survey of the 300 top-grossing tours of each year, according to Pollstar. This includes both headliners and openers' setlists.

How to Get Paid: Your PRO

Mechanical Royalties

Mechanical royalties are earned when a song is streamed, downloaded or purchased (like a CD or vinyl). In America, the rate is set by the U.S. government.

And in 2018, the rate increased (for the first time in many, many years)!

Worth noting, in the United States, Canada and Mexico mechanical royalties get passed on to the label/distributor from iTunes; however, nearly everywhere else in the world, mechanicals get collected by local collections agencies before the money gets to your distributor. That's why when you look at your statements, an iTunes download in the U.S. nets you \$.69 (70% of \$.99—Apple retains 30% from iTunes sales) whereas a download in England nets you around \$.60. So if you don't have an admin publishing company, you won't get any of your international mechanical royalties from download sales. Most international collection agencies will hold on to this money (for about three years) until a publisher comes and claims it. You technically could try to do this by calling up collection agencies in every country, but I just recommend going with an admin pub company—they already have all the relationships built (and they only take about 15%–25%; it's worth it).

How to Get Paid: Admin publishing company

Sync License

Like the master use license, any TV show, movie, commercial or video game requires a synchronization (sync for short) license to put the com-position alongside their picture.

How to Get Paid: Directly from the TV studio, ad agency (for a commercial), production company (for a movie or trailer), or game company. It's best to work with a licensing company for this.

How to Release Cover Songs (Legally)

If you want to release a cover song (remember, song, not video), you have to get a mechanical license. The U.S. law states that once the song has been publicly released, anyone can cover it, without permission from the copy-right owner as long as they get a compulsory mechanical license for the song. Sounds scary and complicated, but it's actually quite simple. Your digital distribution company may handle this for you. But if they don't, you have to get a license via HFA's Songfile, Easy Song Licensing or Loudr.