U.S. Music Streaming Royalties Explained

How Do Artists Get $$$ From Sound**?

What Happens to a Typical 1¢ of Revenue

58.25¢
Stream of sound recording revenues
20.38¢
Stream with Spotify
20.38¢
Stream with Apple
58.25¢
Stream of publishing revenues
10.42¢
Publishing with Spotify
10.42¢
Publishing with Apple
6.44¢
Mechanicals
1.05¢
Admin fee
6.36¢
Subs

Legend

- **Sound Royalties:** Gross royalties, before admin fees or payables
- **Payables:** Admin fees and payables, if any
- **Mechanicals:** Royalties for mechanical licenses, if required
- **Admin fee:** Royalties paid to collection societies
- **Subs:** Royalties paid to performance rights organizations
- **All-In Royalty Pool:** 21% of gross streaming income, excluding mechanical fees and payables
- **Subscriber-Based Floor:** 80¢ per subscriber per month

What Does It Take for Content Owners to Earn 1¢

In an ad-supported interactive service, a hypothetical scenario will show you how a hypothetical sound recording artist would earn 1¢ of royalties. The hypothetical scenario assumes a 1¢ stream, calculated as a percentage of the amount that the recording artist receives from streaming. For simplicity, we have also assumed the artist wrote 100% of the song.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Performance Royalties</th>
<th>Payable Royalties</th>
<th>Admin Fee</th>
<th>Mech Royalties</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default 1¢</td>
<td>58.25¢</td>
<td>58.25¢</td>
<td>2.66¢ (50%)</td>
<td>6.44¢</td>
<td>71.3¢</td>
</tr>
<tr>
<td>Default 1¢</td>
<td>58.25¢</td>
<td>58.25¢</td>
<td>2.66¢ (50%)</td>
<td>6.44¢</td>
<td>71.3¢</td>
</tr>
<tr>
<td>Default 1¢</td>
<td>58.25¢</td>
<td>58.25¢</td>
<td>2.66¢ (50%)</td>
<td>6.44¢</td>
<td>71.3¢</td>
</tr>
</tbody>
</table>

How Does All This Work for Artists?

The Major Label Artist

- **1¢ stream:** 64.18¢
- **1¢ stream:** 52.43¢
- **1¢ stream:** 58.25¢

The Indie Label Artist

- **1¢ stream:** 58.25¢
- **1¢ stream:** 58.25¢
- **1¢ stream:** 58.25¢

The Self-Releasing Artist

- **1¢ stream:** 58.25¢
- **1¢ stream:** 58.25¢
- **1¢ stream:** 58.25¢

**Notes:**

- **Subs:** 80¢ per subscriber per month
- **Admin fee:** Percentage of gross streaming income
- **Subs:** 80¢ per subscriber per month
- **Admin fee:** Percentage of gross streaming income
- **Subs:** 80¢ per subscriber per month
- **Admin fee:** Percentage of gross streaming income

- **Mech Royalties:** Royalties for mechanical licenses, if required
- **Admin Fee:** Royalties paid to collection societies
- **Subs:** Royalties paid to performance rights organizations
- **All-In Royalty Pool:** 21% of gross streaming income, excluding mechanical fees and payables
- **Subscriber-Based Floor:** 80¢ per subscriber per month

*The information in this article reflects Manatt, Phelps & Phillips’ understanding of current law as of the date of publication. It is not intended as legal advice, and readers should consult with their own counsel to determine how this information might apply to their specific circumstances. Manatt, Phelps & Phillips is not responsible for the actions of third parties.**

© 2016 Manatt, Phelps & Phillips, LLP