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Grammy Goodies Taxable To Celebs

Call them gift bags, goody bags, or swag, celebs at the Grammys got freebies. The days of goody bags may have been replaced with gift suites, where celebs mingle, try out products and pick what they like. Check out [this Official 2013 Grammy Gift Suite](#). Jewelry and cosmetics are big, as is clothing, personal care consultations, hats, candles, liquor, sunglasses, guitars and more.

This stuff is free but not when it comes to the IRS. Perhaps it seems counter-intuitive to give A-listers stuff they could easily buy themselves. However, many businesses dream of getting celebrities to endorse their products. Short of them, just having a star seen wearing or using your product can be invaluable.

And the bigger the star, the more outsized and expensive the gifts. For years the entertainment industry and the IRS locked horns over taxes. See [Why Ricky Gervais Sicked IRS on Golden Globes](#). But now IRS guidelines are clear. If you get a gift bag, you generally have taxable income equal to its fair market value.

Tempted not to report it? Be careful, since such gifts trigger an IRS [Form 1099-MISC](#). See [Ten Things You Should Know About 1099s](#). Here are some Q&As about gift bags:



Q: Can't you argue this was a gift?

A: Nope, you must report it on your tax return.

Q: What about gift certificates or vouchers for trips or personal services?

A: If you redeem them you must include the fair market value of the trip or service on your tax return.

Q: If these are gifts, why are they income?

A: They're ***not gifts*** for tax purposes. The organizations and merchants don't give them solely out of affection or respect.

Q: Are there third-party reporting requirements?

A: Yes. Organizations and vendors distributing gift bags may have to issue [Form 1099-MISC](#), Miscellaneous Income. See [Ten Things You Should Know About 1099s](#).

Q: What if you make selections in a free shopping room for participating in the show?

A: The value of your selections are income and you must report them. See [IRS Begins Outreach to Entertainment Industry on Gift Bags following Academy Agreement](#).

Can celebs accept gifts but then regift them to a qualified charity and claim charitable contribution deductions? Yes, but the fair market value must still be reported on their tax return. See [Giving To Charity? Great. Staying Off IRS Radar? Priceless](#). After all, with taxes, there's no such thing as a free lunch.

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