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Real Oscar Winner: IRS, Collecting Tax On Each \$225,000 'Gift' Bag

Free gifts are hard to resist, even if you're a star. Every year at the Oscars, there are many "free" gifts. Companies pay promoters to get their gear in gift bags, so the stars will use it, hopefully somewhere on camera. The companies pay a fee to donate the goodies, and nominees get the pricey stuff for free.

Everyone wants celebs to show off their gear, so companies naturally write off the cost on their taxes. However, the celebs have to report it as income, and the tax bill can be considerable. How can gifts be taxed as income? The answer is when they are not really gifts. So the IRS wins too. This year, the [\\$225,000 Oscars gift bag ranges from an Antarctic cruise to a gold vape pen to a smart bra](#). The whopping value of the gifts keep going up every year, and yet despite the hefty tax bill, few stars seem to turn these gifts down. Perhaps its understandable when you see the [full list of items in the 2020 goodie bag](#).

It is all taxable, even if it is not provided in cash. There's a storied history to this, and the IRS played a part. Back in 2006, the Academy stopped *officially* giving out gifts due to [IRS scrutiny](#). For years, the entertainment industry and the IRS locked horns over these "gifts." Eventually, the swag disputes were settled, with [swag being clearly taxable, and celebs getting IRS Forms 1099](#).



Celeb or not, if you get a gift bag, you have taxable income equal to its fair market value. Can't you argue this was a "gift" so it isn't income? Hardly. These merchants don't give them solely out of affection or respect. And though the value of these goodies really isn't pay, you [must report it on your tax return](#). In case any attendees forget, they receive an [IRS Form 1099](#) reporting it. Remember, [mistakes with Form 1099 cost big](#). Even so, if you're [missing a Form 1099, you may not want to request it](#).

Gift bags are taxable, but what about gift certificates or vouchers for trips or personal services? If you redeem the certificates or vouchers, you include the fair market value of the trip or service on your tax return. If you make a selection in a 'free shopping room,' the value of your selection is income too. Still, some celebs regift the bags or turn them down. They can take a charitable contribution deduction if they donate the gift bag to a qualified charity. But the fair market value of the gifts must still be reported on their tax returns.

That's where turning goodies down raises odd tax issues. If you turn down a bonus from your employer, it's still income according to the IRS. If you say to "pay me next year," it's still income when you were handed the bonus and asked to delay it. Organizations and vendors distributing gift bags issue IRS Forms 1099-MISC. So why don't celebs receive a Form 1099 when they say "thanks, but no thanks?" A Form 1099 tags you with income. It can be tough to untangle when you [disagree with an IRS Form 1099](#).

Cash can feature at the Oscars too. Remember the cash fees-for-attire flap of the past? [Women's Wear Daily](#) once reported that Meryl Streep cancelled a Chanel custom couture creation after the fashion house refused to *pay her* to wear it to the Oscars. The [\\$105,000 couture dress](#) was already in production when Streep's team allegedly said, "Don't continue the dress. We found somebody who will pay us." A representative for Ms. Streep [denied that claim](#), saying it is against Ms. Streep's personal ethics to be paid to wear a gown on the red carpet. But stories of pay to play continue.

The [Daily Mail](#) once noted that it is not uncommon for celebrities to make money by wearing gowns, jewels, and accessories for big awards shows. Some have been reported to receive up to \$250,000 to wear a dress on the red carpet. Swag or not, if a celebrity is paid to wear a dress to an event, can they just pocket the money, or is it taxable? Like just about everything else, the IRS gets its cut. And while the practice may not be widely discussed, there's little doubt that designers paying the fees should issue the stars an IRS Form 1099 for the fee. Again, IRS Forms 1099 are required for the Oscars gift bags too. In the past, the Academy of Motion Picture Arts and Sciences [sued Distinctive Assets](#) for promoting the gift bags as "official" Oscars swag. The lawsuit claimed that, "Distinctive Assets uses the Academy's trademarks to raise the profile of its 'gift bags' and falsely create the impression of association, affiliation, connection, sponsorship and/or endorsement." The lawsuit was [resolved amicably](#). If any money was exchanged, the IRS probably got some of that too, since [lawsuit settlements are taxed](#).

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