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Oscar Freebies Balloon To \$80K (Don't Tell IRS)

No matter who you are, it is somehow fun to receive free stuff. Perhaps it is less fun for the truly wealthy, but it's still fun, especially if the items are downright cool and are dropped in your lap. It should be no surprise that companies flock to the celebrity appeal of the [Oscars](#).

Who wouldn't want to have [Tom Hanks](#) wearing your polo shirt, [Sandra Bullock](#) wearing your watch, or [Cate Blanchett](#) snacking on your protein bar? The allure is too great not to try. All sorts of products benefit from celebs giving them a try. So with a kind of effusive zeal, companies throw expensive goodies at the nominees, and this year, the volume and value for the most elite offerings has risen to over \$80,000.



That's about [double the 2013 take](#), so the economy must be improving. [Gift bags include](#) such essentials as:

\$16,000 hair restoration procedure;

\$15,000 walking tour around Japan;

\$9,000 trip to Las Vegas;

\$6,850 train trip in the Canadian Rockies;

\$5,000 toward art from Gizara;

\$5,000 toward laser hair removal and cosmetic surgery from Ideal Image;

\$4,895 home water filtration system;

\$3,300 resort stay at the Imanta's Ocean Casa suite in Mexico;

\$2,700 "O-Shot" procedure to stimulate a woman's sex drive;

\$2,560 home spa system from Steamist;

\$2,000 five-night stay at the Koloa Landing Resort in Hawaii;

\$1,572 pet supplies from Epic Pet Health;

\$850 for 10 personal training sessions with Huntley Drive Fitness;
\$500 lifetime membership to a meditation gym;
\$290 Swiss-made watch from Slow Watch;
\$280 portable camera from Narrative Clip;
\$280 package of organic maple syrup from Rouge Maple;
\$120 pink and camo pepper guns from Mace;
\$39 in weight-loss products from Hydroxycut;
\$35 six-pack of herbal tea lollipops from Dosha Pops;
\$23 worth of reusable dry-cleaning bags from Green Garmento; and
\$6 device keeps hair from clogging in the shower from DrainWig.

Sure, winning is better. Oscars don't have a [cash prize like Olympic medals](#). But still, taking home an Academy Award means a recipient will make **a lot** more money in the future. But a gift bag worth \$80,000 is hardly inconsequential, not like a Thanksgiving turkey from your employer.

That means somebody has to pay tax on it. That makes the **biggest** winner of them all the IRS. In case the attendees "forget", they will receive an [IRS Form 1099](#) reporting the value of what they took home. Form 1099 is that irksome piece of paper that tells the IRS you were paid.

Each and every one is keyed to a Social Security Number. And while we mostly have an honor system of tax return reporting, the honor system is nudged by these Forms 1099. You have to put each one on your tax return or you'll receive an automatic tax bill. See [7 Crippling Mistakes With Form 1099 That Cost Big](#).

For years, the entertainment industry and the IRS locked horns repeatedly over taxes. That was before the IRS made its own Stark Trek, Gilligan's Island and Dance Party movies. But eventually, the brouhaha was settled sort of like the writer's strike.

Now, IRS guidelines are clear. If you get a gift bag, you generally have taxable income equal to its fair market value. Can't you argue this was a "gift" and you aren't being paid? Nope, you lose. You [must report it on your tax return](#).

What about gift certificates or vouchers for trips or personal services? If you redeem the certificates or vouchers, you must include the fair market value of the trip or service on your tax return.

If these are gifts, why are they income? They're **not gifts** for tax purposes. The organizations and merchants don't give them solely out of affection or respect.

Can you take a charitable contribution deduction if you "regift" a gift bag? Yes, if you donate the gift bag to a qualified charity. But the fair market value of the gifts must still be reported on your tax return.

Are there third-party reporting requirements for gift bags? Yes. Organizations and vendors distributing gift bags may have to issue Form 1099-MISC, Miscellaneous Income.

What if you make a selection in a free shopping room for participating in the show? The value of your selection is income and you must report it.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.