

# IRS News Release

---

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

[www.irs.gov/newsroom](http://www.irs.gov/newsroom)

Public Contact: 800.829.1040

---

## **IRS Begins Outreach to Entertainment Industry on Gift Bags Following Academy Agreement**

IR-2006-128, August 17, 2006

WASHINGTON — The Internal Revenue Service announced today the beginning of an outreach campaign to the entertainment industry regarding the taxability of gift bags and promotional items. The effort follows an agreement announced today between the tax agency and the Academy of Motion Picture Arts and Sciences.

The Academy and the IRS reached a mutually satisfactory agreement that will resolve outstanding tax responsibilities with respect to Academy Awards gift baskets. The Academy had voluntarily approached the IRS shortly after this year's awards presentations seeking to clarify the tax issues surrounding the gift baskets, as well as to ensure that any obligations for the prior years were met.

Under the closing agreement, the Academy and the IRS have settled the tax obligations with respect to gifts given through 2005. Recipients of this year's gift basket will be issued appropriate informational tax forms by the Academy and will be responsible for satisfying their income tax obligations.

"We appreciate the Academy's leadership on this issue," IRS Commissioner Mark W. Everson said. "The gift basket industry has exploded, and it's important that the groups running these events keep in mind the tax consequences."

Following the agreement with the Academy, the IRS has started a new outreach campaign aimed at the entertainment industry. This effort is focused on distribution of celebrity gift bags and goodie bags in conjunction with appearances by the stars at award shows and other gatherings. Such bags can include luxury trips, jewelry and electronics. Dozens of the award shows take place each year.

"There's no special red-carpet tax loophole for the stars," Everson said. "Whether you're popping the popcorn, sitting in the audience or starring on the big screen, you need to respect the law and pay your taxes."

The IRS will be contacting entertainment industry groups and others to focus attention on tax guidelines for gift bags and other promotional items. The effort will focus on two main areas:

- Reporting compliance by the stars and other recipients receiving the items.
- Completion of Form 1099s as appropriate by those providing the items to the stars and other recipients.

This guidance will provide an opportunity for taxpayers, businesses and tax professionals to better understand their tax obligations as it relates to these luxury goods and services and the associated tax implications. This effort will also be aimed at keeping entertainers, organizations and others in this area in compliance with the tax law.