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Hollywood, the I.R.S. Is Watching

By [SHARON WAXMAN](#)

LOS ANGELES, Aug. 17 — Hollywood celebrities who show up at awards ceremonies and leave with armloads of booty can expect one more item with their gift baskets: a tax form.

The [Internal Revenue Service](#) announced Thursday that it had settled a tax matter with the [Academy of Motion Picture Arts and Sciences](#) over gift baskets — which this year were worth about \$100,000 each — given to presenters and performers at the Oscar ceremony.

The academy, which votes on and distributes the Oscars, said it would send 1099 tax forms to those who received the gift baskets this year, and a representative confirmed that the organization had paid an undisclosed settlement to the I.R.S. to cover taxes owed by those who received gifts for previous years.

The organization also disclosed that its board decided in April to discontinue the practice of giving baskets filled with gifts provided by businesses promoting their goods and services. Still, the agreement with the I.R.S. sent a signal that other groups that shower celebrities with gifts will be expected to deal with the tax consequences.

“The academy had an obligation to do the reporting to us,” said Mark W. Everson, the I.R.S. commissioner, in an interview. “They have fulfilled that obligation.”

The academy contacted the I.R.S. earlier this year, concerned that there might be a tax obligation attached to the increasingly expensive gift bags given at the ceremony. This year the basket included a four-night stay at a Honolulu hotel and a Krups espresso machine. The organization sought to pay any tax bill that might eventually be charged to the presenters.

Academy officials said Thursday that the decision to discontinue the gifts reflected a growing unease with the practice rather than a specific response to the tax problem. “It’s time for us to move on” from gift baskets, said Sid Ganis, the president of the academy. “Lately it has become this gigantic thing that has names attached to it, and implications to it, that don’t feel pleasant. And we’re surrounded by other venues that do it in a way that the press has noted as privileged and excessive. We try not to do that.”

In the last few years gift baskets and “gifting suites” have become an integral part of the Hollywood awards season, a marketing juggernaut for the luxury industry. Most of the major awards, including the Golden Globes, the Grammys and the Emmys, hand out gift baskets including everything from digital gadgets to fully paid vacations.

Mr. Everson said the I.R.S. would now turn its attention to other award organizations, including the Academy of Television Arts and Sciences, which will hand out the Emmys on Aug. 27, and the Hollywood Foreign Press Association, which dispenses the

Golden Globes in January.

A spokeswoman for the Emmys said “it was premature” to consider whether the television academy would discontinue its gift giving to presenters. But in a letter currently being sent to presenters at this year’s Emmy ceremony, the academy is reminding recipients of their tax obligations. Presenters will receive their gift baskets only if they send back a signed copy of the letter.

The president of the Foreign Press Association, Philip Berk, said he had instructed the group’s tax lawyer to be in touch with the I.R.S. regarding past taxes owed on gift bags. He said the board would be discussing at its next meeting the possibility of discontinuing gifts at the awards.

This year’s Emmy gift basket is estimated to be worth about \$30,000, and includes luggage, skin-care products and a five-night vacation at a New Zealand country manor.

But many celebrities do not take advantage of many, or even most, of the more expensive items offered by coupon in their baskets. Experts in the swag industry acknowledge that usually fewer than 10 percent, and sometimes fewer than 5 percent, of the high-ticket items, like the cruises and trips, are redeemed. And this year George Clooney, a double-nominee at the Oscars, gave his gift bag to the [United Way](#), which auctioned it to benefit hurricane relief efforts.

Mr. Everson said that although the value of baskets — most of them in the range of tens of thousands of dollars — was not significant income to many of the celebrities who receive them, there was a principle at work.

“They need to meet their tax obligations, just like anybody else,” he said. “I don’t think it’s fair to say that we should look the other way. Just because someone makes 10, 20, 30 million dollars for a picture, if they get 20 or 30 thousand of income, that they should feel they shouldn’t have to report that.”

He added that if the situation were neglected, it might become a significant loophole in the tax system, with celebrities choosing to sidestep taxes by taking payment in commodities, rather than cash. “If you let things like this grow, they will just give actors houses and apartment buildings as compensation for films,” he said. “It could lead to a barter economy for the truly wealthy.”