

From the desk of Jeanne M. Kerkstra, Esq., CPA

**Viewpoint
When Will They Learn?**

One of my areas of concentration is tax controversy. It seems as though I am always fighting with the IRS, the IDOR or some other governmental agency about what really should be included or excluded from taxable income. To me, as it is with my clients, it is very important what ends up staying in my client's pocket and not going to the government.

However, it seems that celebrities are blind to this ongoing controversy that rages with many clients and the government. Yet again, it is reported in the news how it may seem that "celebrity gift suites are as common these days as red carpet events."¹ Not so long ago the IRS handed envelopes with tax bills in them to the celebrities who took "goodie bags" away from the Academy Awards. For whatever reason, the celebrities seem to be oblivious to any tax consequences. I should be attending these events and handing out my cards. Some of the free "swag" given out included Dolce and Gabbana sunglasses, Stuart Weitzman purses and wallets and L.A.M.B. jackets. Nice take no matter how you look at it.

One of the representatives of a clothing line was asked if the public was welcome. She said that they give it to everyone and everyone is welcome. I hardly believe this to be true. I wonder if I would have been as warmly received as others who had stopped by the celebrity gift suite, which included Lindsay Lohan and stars from "Scrubs" and "Grey's Anatomy".

Celebrities need to talk to their tax advisors and realize the following about items they receive:

1. If they did not pay for it, most likely it is included in taxable income.
2. If they did not receive it because someone died, most likely it is included in taxable income.
3. If they did not receive it as a true gift, most likely it is included in taxable income.

Don't get me wrong. I don't mind that celebrities seem to fall for this every time. Their missteps could make work for me.

¹ "Stars load up on gifts during upfronts," Alicia Quarles, Associated Press Writer, May 17, 2007, Yahoo! News.

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