



ACADEMY OF MOTION PICTURE ARTS AND SCIENCES

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— NEWS —

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FOR IMMEDIATE RELEASE

**ACADEMY AND IRS
REACH GIFT BASKET ACCORD**

BEVERLY HILLS, CA — The Academy of Motion Picture Arts and Sciences and the Internal Revenue Service announced today that they had 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."

"We are happy to have reached an agreement with the IRS which works to the benefit of the gift basket recipients and the Academy," said Academy president Sid Ganis.

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Ganis said that it was unclear as to when the practice of thanking Academy Award presenters and performers with baskets began, but that it was well established by the early 1970s. The major stars who present the awards on the show are not paid for that service, and the performers receive only the minimum union payment. Over time the “thank-you gifts” became more elaborate as hotels, resorts and high-end clothing lines vied to associate their services and products with Hollywood’s most famous names. In April, the Academy Board of Governors voted to discontinue the practice of thanking Academy Awards presenters and performers with gift baskets.

Publicity about the gift baskets led Everson to issue a press release three days prior to the 2006 Academy Awards broadcast which focused on gift baskets and pointed out that “movie stars face the same tax obligations as ordinary Americans.” “The Commissioner worked some movie titles into his reminder that gave it a humorous spin,” Ganis said, “but the basic message was clear: the contents of the baskets, however much we may have been inclined to view them as mannerly thank-yous, in fact constitute taxable income. And since we didn’t want any of our presenters to get hit retroactively for a gift we had given them, we asked the Service if there was a way for us to take on the tax obligations and they were very willing to work with us.”

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