

For Influencers, Tax Season Is the Wild West

Unsolicited products from brands can make taxes complicated for social-media stars: 'Saving \$100 in taxes might not be worth getting audited six or seven years from now'

By *Ashley Wong* [Follow](#)

March 21, 2023 12:00 pm ET

One perk of being an influencer is the free stuff. A possible downside? Figuring out whether all the makeup, handbags, clothes, perfume, spa treatments, flight tickets and other freebies could be considered taxable income.

The line between gifts and payments is blurry in the business of social-media promotion, where agreements are often tacit and contracts can be scattershot. Even when influencers post videos and photos from lavish all-expenses-paid vacations sponsored by companies, they may say those trips came with no expectations, meaning none of it was work. But as the products and experiences they post about grow more extravagant, critics' questions about what's free and what's not are getting louder.

Accountants say that all of this can make tax season complicated.

Here, experts break down basic guidelines, weigh in on specific types of compensation and discuss the consequences influencers can face if they don't report the piles of cosmetics they get in the mail.

Influencers get free stuff from brands all the time. What's considered taxable income, and what's just a gift?

Per the Internal Revenue Service, a gift is anything one person gives to another without any goods or services (or expectation of them) exchanged.

Though influencers get so-called gifts in the mail year round, anything they receive in exchange for work could be considered income, according to accountants. That may mean cash, or it could be goods such as makeup or handbags often sent with the expectation of a review, a TikTok tutorial or an Instagram post.

How do accountants decide what is what?

First, they assess the relationship between the influencer and the brand: Is this a one-off gift, or part of a pattern? How is the product supposed to be used, and are there any strings attached?

But there are gray areas. “If you are trading something for work, then it is considered income, whether you receive it in cash or other property,” said Nicole Green, a senior tax consultant for accounting firm Robert Hall & Associates.

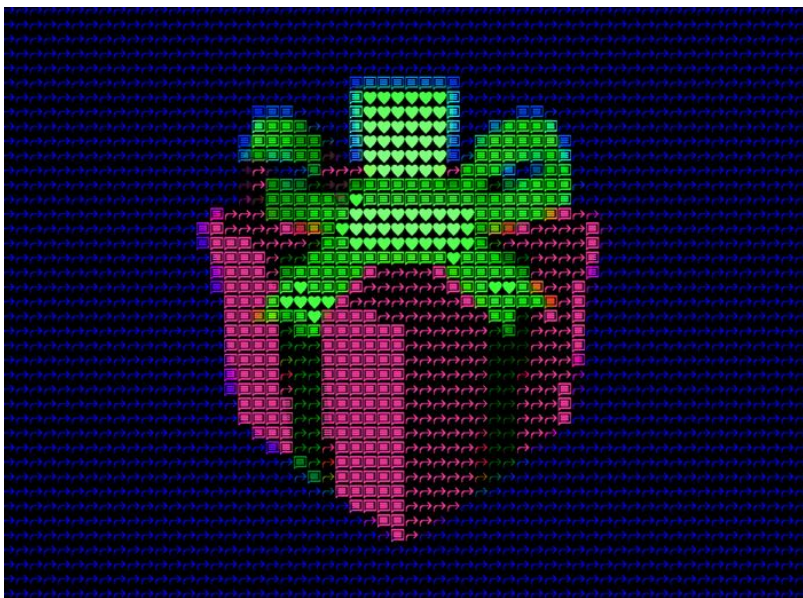


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If a company decides to offer payment in the form of goods rather than monetary compensation, Ms. Green said, then the taxable amount would be the retail value of the item.

“It’s kind of like phantom income,” said Damien Martin, a tax partner at EY in Chicago, of having to pay taxes on those products without receiving a cash payment. “I think it is counterintuitive to a lot of people.”

So should influencers declare all the makeup they get in the mail?

Accountants advise taking a conservative approach.

“If you’re consistently getting free stuff in exchange for doing something, would you count it as income? I might,” Ms. Green said.

She has warned influencers not to split hairs with the IRS when an item’s taxability is unclear.

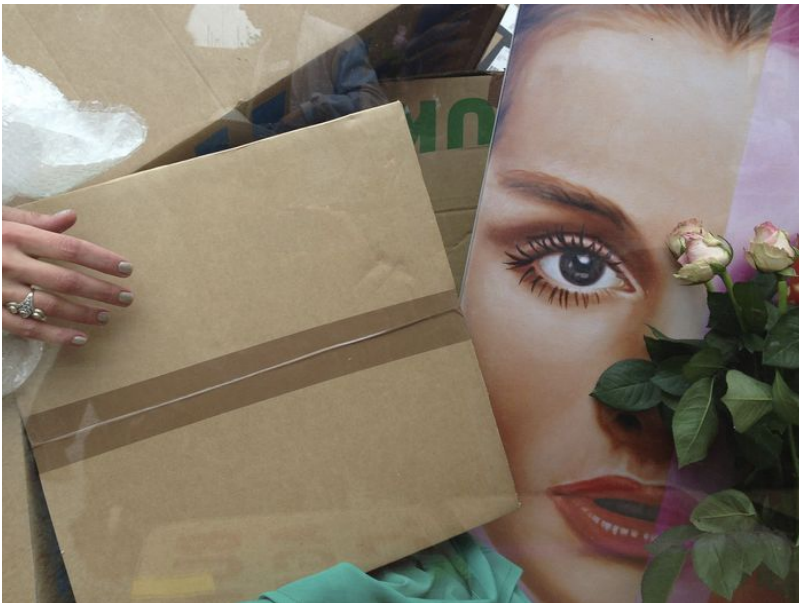
“Sometimes you have to weigh the benefits,” she said, “understanding that saving \$100 in taxes might not be worth getting audited six or seven years from now.”

Why would companies give away all that stuff to begin with?

Companies can write off giveaways as tax deductions. But to get this deduction, accountants said, they may be required to report the free products as part of their business practice—in other words, income for the people they work with—placing a tax burden on influencers.

If there’s a contract, how does that work?

If an influencer has a contract to promote products for a brand, that document likely lays out the terms and form of compensation, said Andrew Loukenauth, a finance professional and influencer whose content focuses on financial education. That income would be taxable.



A tax-season headache for influencers: figuring out whether all those freebies from brands could be considered taxable income.

PHOTO: JESSICA CRAIG-MARTIN/TRUNK ARCHIVE

If an influencer receives a free, unsolicited product from a company, and there’s no agreement to promote it, do they still have to pay income tax?

It all boils down to intent. Accountants will want to know more about the influencer’s relationship to the brand, or how many free items they get, or how they use them.

“The way I see it, it’s all income,” said Lynne Fuentes, managing partner at Fuentes & Angel CPAs and president of the New York State Society of CPAs. “And influencers should be keeping

track of it.”

Accountants said the more transparent influencers are with their tax preparers, the easier it is to figure out what’s taxable and what’s not.

What if they *do* end up posting something about an unsolicited product?

An influencer could potentially argue that the product should be left off taxable income, Mr. Martin said, but emphasized he’d prefer to decide on a case-by-case basis.

What about free experiences, like vacations or massages?

“It’s all going to come down to what the primary purpose of taking the trip is,” said Andrew Finkle, partner and national tax-office leader at accounting firm Marcum LLP. “Even though they’re not contractually bound to do it, they’re going to likely use that trip to promote the people that sent them on that trip.” That means the IRS may still see the total cost of the experience as taxable income.

“The IRS is going to be very aggressive, in my opinion, in finding income in all of this free stuff,” Mr. Finkle added. “So then it becomes incumbent upon the individual influencer to prove otherwise.”

“And, you know, it’s hard for an influencer to make the case that something is a gift if they are actively promoting it,” he said.

Do influencers often overreport their income?

“It’s almost always the other way,” said Mr. Martin, who works with influencers.

“I can’t say that I’ve ever come across it,” he added.

Even if they do, that’s easier to fix than being penalized for underreporting, said Orumé Hays, vice president of the New York State Society of CPAs. Influencers who overreport their income might, at most, have to file an amended tax return and get a refund, she said.

Conversely: “If you underreport, you will be liable for penalties and interests,” Ms. Hays said.

How do influencers make sense of all this?

Cynthia Ruff, a content creator and CEO of Hashtag Pay Me, said she couldn't afford to hire a tax professional during the early years of her work as an influencer, relying instead on guidance she found online and from peers.

Figuring out what was taxable and what wasn't in her first few years was "chaos," she said. The IRS offers filing resources for gig workers, but those are not tailored to the nuances of influencers' specific financial situations. Ms. Ruff was surprised when she started getting 1099 forms from brands showing she made more than their agreed-upon rate—until she realized that the products they gave her for free were also considered part of her taxable income.

"Now that I've gotten more wise about how product compensation affects my taxes, I turn them down a lot and I'm more strategic about what I bring into my house," Ms. Ruff said.

Influencers have told her about their fear of getting penalized by the IRS, she said.

"The most confusing part is, am I documenting this right?" she said. "Have I been doing it right long enough that I'm not going to get audited in the future?"

"The Wild West-ness of it all is really correlated to, these guys are new to the entrepreneurial world and new to that type of income state," said Joe Gagliese, CEO of Viral Nation, a talent management and marketing service agency for influencers.

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