

## Sample article for organizations to use to reach customers (372 word count)

*Post the following article on your websites and/or use in other communication vehicles to help your customers understand the tax implications of bartering and trading.*

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### Bartering and trading? Each transaction is taxable to both parties

Sometimes, when the right opportunity presents itself, people are able to pay for goods and services they need or want by trading goods, or providing a service that they can perform in return. For example, a person who owns a lawn maintenance company may receive legal services from an attorney and pay for those services by providing an agreed upon amount of mowing and maintenance services at the attorney's home or place of business. In this scenario, the fair market value of the legal services provided is taxable to the lawn maintenance company owner. At the same time, the fair market value of the lawn and maintenance services provided is taxable to the attorney or his firm.

This type of transaction — bartering or trading — can prove to be useful when cash-flow problems would otherwise hinder a person's ability to secure needed goods and/or services. And, while there is no exchange of cash or credit, the fair market value of the goods and/or services that were exchanged are taxable to both parties and must be claimed as income on an individual or business's income tax return.

When considering record keeping requirements, barter and trade transactions should be treated just like any other financial transaction or exchange. Original cost of goods being bartered or traded, transaction dates, fair market value at the time of the transaction, and other pertinent details, should be recorded to assist in the preparation of your income tax return and held for a period of three years in accordance with other documents and receipts used to substantiate income and expenses.

For more details on barter and trade transactions, please visit the [Bartering Tax Center](#) at [IRS.gov](#).

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**NOTE TO EDITOR:** Below are links to help taxpayers find the information they need.

#### Additional IRS Resources:

- [Tax Topic 420](#) - Bartering Income
- [Publication 525](#), Taxable and Nontaxable Income
- [Filing Your Taxes](#)
- [IRS Tax Map](#)

**IRS YouTube Videos:**

- Miscellaneous Income – [English](#) | [Spanish](#) | [ASL](#)