

## Sample article for organizations to use to reach customers

*Customize and post the following article on your websites and/or use in other communication vehicles about Bartering and Trading being taxable.*

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### Bartering and Trading? Each Transaction is Taxable to Both Parties

Sometimes, when the right opportunity presents itself, you may be able to pay for goods and services that you need or want by trading goods that you own, or providing a service that you can perform in return. An example of this is if you own a lawn maintenance company and 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 you as the lawn maintenance company owner. At the same time, the fair market value of the lawn and maintenance services you provide 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 prevent you from securing needed goods or services. And while there is no exchange of cash or credit, the fair market value of the goods or services that were exchanged is taxable to both parties and must be claimed as other income on an individual or business income tax return.

Remember, just like with payments by money, if a business makes payments of bartered services to another business (except a corporation) of \$600 or more in the course of the year, these payments are to be reported on [Form 1099-MISC](#).

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, in general, for a period of 3 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 IRS' [Bartering Tax Center](#) or view the [Do You Barter?](#) video.

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### NOTE TO EDITOR: Below are links on IRS.gov to more information on Bartering and Trading:

**Do You Barter? Video** – a conversation with an IRS representative who explains what bartering means, how to report it as income and where to find helpful tips and resources

#### **Sample Tweets (109 characters)**

#Bartering or #trading? Visit the#IRS Bartering Tax Center to determine your #tax responsibilities.<http://go.usa.gov/rvhk>

#### **IRS Forms and Publications**

[Form 1099-MISC – Miscellaneous Income](#)

[Form 1099-B – Proceeds from Broker and Barter Exchange Transactions](#)

[Bartering Tax Center](#) – a helpful resource on rules of bartering, tips for record-keeping, tax responsibilities and much more

[Tax Responsibilities of Bartering Participants](#) – information on reporting proceeds and staying compliant with taxes