



Four Things You Should Know if You Barter



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Small businesses sometimes barter to get products or services they need. Bartering is the trading of one product or service for another. Usually there is no exchange of cash. An example of bartering is a plumber doing repair work for a dentist in exchange for dental services.

The IRS reminds all taxpayers that the fair market value of property or services received through a barter is taxable income. Both parties must report as income the value of the goods and services received in the exchange.

Here are four facts about bartering:

- 1. Barter exchanges.** A barter exchange is an organized marketplace where members barter products or services. Some exchanges operate out of an office and others over the Internet. All barter exchanges are required to issue Form 1099-B, Proceeds from Broker and Barter Exchange Transactions, annually. The exchange must give a copy of the form to its members and file a copy with the IRS.
- 2. Bartering income.** Barter and trade dollars are the same as real dollars for tax reporting purposes. If you barter, you must report on your tax return the fair market value of the products or services you received.
- 3. Tax implications.** Bartering is taxable in the year it occurs. The tax rules may vary based on the type of bartering that takes place. Barterers may owe income taxes, self-employment taxes, employment taxes or excise taxes on their bartering income.
- 4. Reporting rules.** How you report bartering varies depending on which form of bartering takes place. Generally, if you are in a trade or business you report bartering income on Form 1040, Schedule C, Profit or Loss from Business. You may be able to deduct certain costs you incurred to perform the bartering.

For more information, see the Bartering Tax Center in the business section at IRS.gov.


Additional IRS Resources:

- [Bartering Tax Center](#)
- [Schedule C](#), Profit or Loss from Business, and instructions

IRS YouTube Videos:

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