

Barter Exchanges

Information from the [official IRS web site](#) as of December 26, 2009.

Bartering is the trading of one product or service for another. Usually there is no exchange of cash. Barter may take place on an informal one-on-one basis between individuals and businesses, or it can take place on a third party basis through a barter exchange company. A barter exchange is any person or organization with members or clients that contract with each other (or with the barter exchange) to jointly trade or barter property or services. The term does not include arrangements that provide solely for the informal exchange of similar services on a noncommercial basis.

Unlike one-on-one bartering, members of exchanges are not obligated to barter or purchase directly from a seller. Instead, when a barter exchange member sells a product or a service to another member, their barter account is credited for the fair market value of the sale. When a barter exchange member buys, the account is debited for the fair market value of the purchase.

Internet-based Barter

The Internet provides a new medium for the barter exchange industry. Pure Internet-based barter companies differ from traditional, organized trade exchanges in that they do not have a physical office. In modern Internet barter exchanges, there is an agreement or process in place to value goods and services exchanged, which is facilitated by the barter exchange for a fee. A barter exchange functions primarily as the organizer of a marketplace where members buy and sell products and services among themselves.

Trade Dollars

Barter exchanges have their own unit of exchange, usually known as barter or trade dollars. Trade dollars or barter dollars are valued in U.S. currency for the purposes of information returns. Trade dollars allow barter to take place between parties when one party may not have a simultaneous need or desire for the goods or services of the other members. Barter exchanges act as the bookkeeper for keeping track of trade dollars that participants accumulate. Earning trade or barter dollars through a barter exchange is considered taxable income, just as if your product or service was sold for cash.

Requirement for Barter Exchanges to File Information Returns

Barter exchanges are required to issue [Form 1099-B](#) Proceeds from Broker and Barter Exchange Transactions, annually to their clients or members and to the Internal Revenue Service. Learn more about [information return filing requirements](#) for barter exchanges.

References/Related Topics

- [Bartering Income](#)
- [Bartering Information](#)
- [Tax Requirements for Barter Exchanges](#)