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FOR SMALL BUSINESS

Susan-Says®:  
The Business of Bartering.

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When you think of barter, you probably think of the old days when farmers would come into town and barter their crops for commercial products and services. For centuries, businesses have used barter as a means of currency. But you might be surprised to learn that the barter system continues to flourish in the 21<sup>st</sup> century. In fact, bartering is becoming one of the fastest-growing segments of the United States economy. It is estimated that more than \$16 billion dollars in goods and services were bartered last year in the U.S.

Simply defined, bartering is the exchange of goods or services for other goods or services. It's a transaction where no money changes hands. And ideally it should be an equal trade. By bartering businesses can get the goods and services they need without tapping into their cash flow.

For example, Lisa Constance, a freelance video producer, recently entered into a barter agreement with her hairdresser who was getting married and needed someone to videotape her wedding. Constance calculated the value of her videography and editing services and made a deal with her hairdresser for the equivalent value in salon services.

“Sure I could have used the money,” says Constance, “but hair cuts and highlights are expensive. And my hairdresser was already cash-strapped from all of the other wedding expenses so it really worked out great for both of us.”

For Constance, the barter arrangement was a win-win, but sometimes it doesn't work out that way. That's why it's important to attach a time or money value to the barter that is equitable to both parties. Both parties should sit down and compare the exchange of goods and services in a quantitative fashion. Beware of entering into a barter arrangement with financially strapped companies. If your barter partner is in financial trouble and seeks bankruptcy, you may never receive your share of the barter agreement.

While some business barter is done informally, most is conducted through formal membership groups called barter exchanges, which facilitate trades. There are more than 400 such groups in the U.S. The largest ones have thousands of small-business members.

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Historically, barter exchanges have been geographically based. But now, the Internet is allowing companies to list their goods and services on barter websites, and then trade with other firms across the country or right in their own community. The top five barter categories are advertising, hospitality, printing, office equipment and retail purchases. Almost everyone has something they can trade- from small home-based businesses to giant manufacturing companies.

Barter exchanges allow companies to exchange goods and services for barter credits that can be cashed in when an item the company wants becomes available. The National Commercial Exchange ([www.nationalcommercialexchange.com](http://www.nationalcommercialexchange.com)) has been a barter network for more than 24 years and has more than 800 clients. The National Commercial Exchange offers barter deals along with trades in other parts of the country for its members. For a fee of about 12%, the barter network operates as a middleman in the trade of goods and services and monitors the companies that trade to ensure they are fair. They also have a showroom full of different products companies can exchange for their products.

The possibilities for barter are really endless, but being flexible is important when you are bartering for purchases. Some brands of equipment might not be available and barter purchases might take a bit longer than traditional ordering processes. And keep in mind, simply because no cash was involved, doesn't mean you don't have to pay taxes. According to the IRS tax website, income from bartering is taxable in the year in which you receive the good or services. Generally, you report this income on Schedule C, Form 1040.

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