

**From the desk of  
Peter S. Muffoletto, C.P.A.**

# **Bartering Transactions are Taxable**

Bartering is the trading of one product or service for another.

While there may be no exchange of cash the IRS considers the transactions reportable.

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 modern barter exchange company including internet based websites.

The Internal Revenue Service considers any form of bartering the same as payment for goods or services and therefore taxable.

Not only do income taxes attach to such transactions but Self Employment Taxes may also be created in any such exchange as the nature of the transactions may create a self employment situation.

Another issue to consider is that state sales taxes may also be assessable in the exchange transactions.

Reporting of bartering transactions is required by both the IRS and State agencies, and may also be reportable to your local municipal government in relationship to local taxes.

Failure to report bartering transactions can lead to very serious tax and possible criminal consequences.

One never knows who one is transacting business with, and one of those might be a government revenue agent there for the purpose of determining that your bartering transactions are being reported.

Another source of information for the government is the audit process. In many cases when taxpayers are pressed for explaining how they arrived at certain deductions that they cannot substantiate, the truth then comes out, and yes, they inform on you in an attempt to avoid additional taxation, penalties, and interest. The IRS takes note, and then invites the other parties to explain what might be missing from their tax reporting.

Failure to report significant bartering transactions by the nature of the activity can be considered to be entered into for the sole purpose of evading tax and therefore tax evasion which entails possible criminal tax prosecution.

---

**We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service.**

**Should you have questions relating to any tax or financial matters, or if you know of someone that could benefit from our assistance**

**feel free in calling us at**

**(818) 346-2160,**

**or you can visit us on the web at**

**[www.petemcpa.com](http://www.petemcpa.com)!**

**Providing individuals, small businesses, corporations, partnerships, professionals, and other business entities with the necessary guidance and answers for a complex world.**