

"I may disapprove of what you say, but I will defend to the death your right to say it." --Voltaire

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**BUSINESS & FINANCE**

**Small Business Owner's Best Kept Secret**

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(Editor's note: This is the fifth in a series of articles designed to acquaint Las Vegas Tribune readers and small business owners with the growing advantage of utilizing business barter. If you missed any of the previous installments they may be found in the 'archives' section of Las Vegas Tribune Online at [www.LasVegasTribune.com](http://www.LasVegasTribune.com))

A Las Vegas small business owner recently wrote us: "How does one learn more about bartering for a small business? I have friends who have been bragging about the cash they save and new business they have gained through the practice.

Barter sounds good on the face of it, but has always seemed a little like 'underground' deal-making to me. What's the bottomline?"

It is estimated that more than 60% of all Forbes 500 companies use barter. Barter is advantageous for any company that has excess capacity that can be traded for a particular product or service it needs. Who wouldn't rather pay for something with their cost of goods rather than after-tax-dollars?

Restaurant owners do it, as do graphic artists, dentists and florists. It is the world's oldest form of commerce: the art of trading what you have for what you want. A dentist might offer a teeth cleaning in exchange for a gift certificate to a restaurant. A florist may trade flower arrangements with an accountant in exchange for help with his tax preparation.

A century ago, bartering goods and services without a dime changing hands was an acceptable form of trade in many of America's smaller rural communities.

A day laborer might receive food and shelter for his skills. A country doctor might have his bill satisfied through payment in poultry or produce, but today, bartering has entered an era of credit cards and electronic fund transfers.

There is an option to directly exchange with another party to make a trade - organizations called barter exchanges. While some business barter is still done informally, most is conducted through formal membership groups called barter exchanges, which facilitate trades. There are more than 500 such groups in the United States. The largest ones have thousands of small-business members. Barter exchanges enable members to offer products or services for exchange credits. Members use these credits as a form of currency to acquire products or services.

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Barter can be a dream for cash-conscious business owners. Buy ad space, upgrade equipment, remodel your facilities, get professional services and even snare theater tickets or a family vacation without spending a dime from your bank account.

It works like this. Once your business has joined an exchange, you will typically pay a small monthly fee on your account, similar to a bank checking account. You specify the goods or services you want to barter, and their value. The exchange will manage your trades and charge a cash commission of 5-8 percent.

A typical transaction might involve a general contractor who needs printing services for a business brochure. The barter company coordinates the exchange, and the printer receives "payment" in trade credits instead of cash. The printer can then exchange those "trade dollars" for equipment, restaurant meals, doctor visits, anything other exchange members offer.

You can accumulate trade credits and spend them as you wish. They need not be spent on a single purchase, or to buy from the same company that bought from you. That's the beauty of the organized exchange.

While barter was once considered an underground economy, it's become big business since 1983, when the government gave it official recognition. The National Association of Trade Exchanges estimates that more than 250,000 businesses will exchange \$10 billion worth of products and services this year.

Keep in mind that successful bartering requires a sustained effort. Business owners who do it best are "into it" and have fun with it. They enjoy dreaming up new trades and consider barter a refreshing break from business as usual, especially when it means landing a fun perk.

"The possibilities are endless," says Greg Pavlov, president of the United Trade Network, the largest trade exchange in Southern Nevada with over a thousand participating business members. "Some people use their trade credits to help a charity or pay bills, others to purchase yellow page and newspaper advertising. The owner of a new restaurant and nightclub used his credits to purchase newspaper advertising, and the owner of an auto body shop used his credits to reward employees with hotel stays. Need a computer? Want ice cream? Want to see a show? Almost anything is available on barter."

Use these strategies for business bartering success:

- 1) Track your trade credits closely. Avoid doing more than 15 percent of your company's total revenues in barter.
- 2) Use barter to put idle resources to work: to convert excess time, inventory or capacity into profits.
- 3) Be Flexible - If you are trading for a product, such as a television, camera or cellular telephone, you might not get the brand you prefer. "People go in with very high expectations," says Henry Petree, an executive of Bartercard, the world's largest trade exchange. "It is unreasonable to expect to get the hottest new item available on trade. In other words, while you may not be able to trade for an iPod, you might be able to get last year's Palm Pilot."
- 4) Size Matters - Find out how many members are on a barter exchange before signing up. The more users there are, the better it will work to get you what you want when you need it. Ask the exchange for three or four members who can provide a reference.

How many members does it have this year compared with last year?  
Also, find out if members

are just accumulating or if they are spending their barter credits. A good exchange is one that has active members.

5) Consider Geography - Nearly 80% of all barter transactions take place within the same geographic community, so it behooves you to sign up with an exchange near where you live. Find out if the exchange has a reciprocal arrangement with other exchanges, including ones that may be out of state, which can broaden the selection of products and services you have to choose from.

6) Watch For Tax Implications - Barter transactions might be cashless, but they offer no tax advantages. The IRS considers the fair market retail value of a barter transaction to be taxable as income. Barter exchanges are required to provide participating businesses with a special tax form for reporting barter transactions (called the 1099-B).

Also, if you barter to acquire items for personal use or to give to employees, the value of the items may need to be declared as personal income. Conversely, your trade credits spent on business or charitable deductions can reduce your net taxable income. Make certain the exchange issues proper documentation for income tax reporting and be sure to check with a professional tax advisor for help.

7) Don't limit yourself to a few large trades. Consider personal needs, too. If you regularly take cash out of your business for living expenses or home improvements, consider trading for those items and conserve your cash.

8) Before joining a barter exchange, make sure it's been around awhile and has members who offer the products and services you really need.

Use these resources to get started:

United Trade Network, the largest trade exchange in Southern Nevada, may be found at [www.UnitedTradeNetwork.com](http://www.UnitedTradeNetwork.com)

The National Association of Trade Exchanges ('NATE') is a membership organization of trade groups. NATE's Website is [www.NATE.org](http://www.NATE.org)

Bartercard, the world's largest trade network, may be found on the Web at [www.Bartercard.com](http://www.Bartercard.com)

The International Reciprocal Trade Association ('IRTA') is an industry group that supports and promotes the barter industry worldwide. IRTA's Website is [www.IRTA.com](http://www.IRTA.com)

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