

Part III - Administrative, Procedural, and Miscellaneous

Returns of Information of Brokers and Barter Exchanges

Notice 2000-6

PURPOSE

This notice provides that, pending the issuance of new regulations by the Internal Revenue Service (Service) and the Treasury Department, a barter exchange is not required under § 6045 of the Internal Revenue Code to report exchanges involving property or services with a fair market value of less than \$1.00. This notice also invites comments on information reporting issues under § 6045 relating to barter exchanges in connection with the new regulations.

BACKGROUND

Section 6045 and the regulations thereunder generally require a barter exchange to make a return of information with respect to exchanges of personal property or services through the barter exchange during the calendar year among its members or clients or between such persons and the barter exchange. Section 1.6045-1(a)(4) of the Income Tax Regulations defines a barter exchange generally to include any person with members or clients that contract either with each other or with such person to trade or barter property or services either directly or through such

person. However, a barter exchange through which there are fewer than 100 exchanges during the calendar year generally is exempt from reporting for, or making a return of information with respect to, exchanges during such calendar year. Section 1.6045-1(e)(2)(ii).

Section 1.6045-1(f)(2) generally requires a barter exchange to make returns of information on a transactional basis. Under this provision, the barter exchange must show on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, the name, address, and taxpayer identification number of each member or client providing property or services in the exchange, the property or services provided, the amount received by the member or client for such property or services, the date on which the exchange occurred, and such other information required by Form 1099, in the form, manner, and number of copies required by Form 1099. However, as to each corporate member or client (as defined in the regulations) providing property or services in an exchange for which a return of information is required, the regulations allow the barter exchange to report based on an aggregate basis, rather than on a transactional basis, for the reporting period.

The Treasury Department and the Service have become aware of a growing number of barter exchanges that, through the use of electronic or Internet services, engage in millions of transactions daily involving property or services with very low fair market values. In these situations, the barter exchange reporting requirements under § 6045 may impose burdens on the barter exchange that outweigh the benefits of the information collected on Forms 1099-B. Accordingly, the Treasury Department and the

Service are studying barter exchange issues with a view to proposing new regulations regarding the information reporting responsibilities of the exchanges.

DE MINIMIS EXCEPTION

A barter exchange is not required to provide an information return with respect to an exchange of property or services if the fair market value of the property or services received in that exchange is less than \$1.00.

This exception applies with respect to information returns that would otherwise be due on or after January 5, 2000, and before new regulations are issued addressing the information reporting responsibilities of barter exchanges. With respect to information returns that were due before January 5, 2000, the Service will not impose penalties under §§ 6721 and 6722 on a barter exchange for its failure to file the returns or furnish payee statements with respect to exchanges that meet the criteria of the *de minimis* exception above.

REQUEST FOR COMMENTS

The Treasury Department and the Service invite comments on this notice and on other information reporting issues relating to barter exchanges in connection with the future regulations. In particular, comments are requested concerning other means of reducing the reporting burden on barter exchanges, such as:

- (1) Whether the regulations should provide an exception to the reporting requirements for cases in which the fair market value of property or services received by the member or client falls below a *de minimis* transactional threshold (such as that described in this notice) but only if the total fair market value of

property or services received by the member or client during a calendar year does not exceed an aggregate threshold.

(2) Whether the regulations should allow annual aggregate reporting with respect to amounts received by noncorporate members or clients.

(3) Whether the regulations should specifically require annual aggregate reporting, rather than transactional reporting, with respect to transactions involving certain types of property or services.

(4) Whether the regulations should apply special rules to certain bartering transactions involving the provision of electronic or Internet services.

Further, the Treasury Department and the Service welcome information and comments on additional tax issues associated with electronic commerce transactions.

Written comments should be submitted by April 4, 2000. Written comments should be sent to:

Internal Revenue Service

Attn: CC:DOM:CORP:R

Room 5228 (IT&A:Br2)

P.O. Box 7604

Ben Franklin Station

Washington, DC 20044.

or hand delivered between the hours of 8 a.m. and 5 p.m. to:

Courier's Desk

Internal Revenue Service

Attn: CC:DOM:CORP:R (Notice 2000-6)

Room 5228 (IT&A:Br2)

1111 Constitution Avenue, NW

Washington, D.C.

Alternatively, taxpayers may submit comments electronically via e-mail to the following address:

Sharon.Y.Horn@M1.IRSCOUNSEL.TREAS.GOV

All comments will be available for public inspection and copying in their entirety.

DRAFTING INFORMATION

The principal author of this notice is Edwin B. Cleverdon of the Office of Assistant Chief Counsel (Income Tax & Accounting). For further information regarding this notice, contact Mr. Cleverdon at (202) 622-4920 (not a toll-free call).