



## **What about taxes? Isn't this just like barter? Won't members be taxed on the Time Dollars earned?**

*Dr. Edgar Cahn*

The IRS has ruled on two occasions that TimeBanks are not commercial barter exchanges and create no contractual rights.

The first, made by a regional office of the IRS, involved the state sponsored program operated in Missouri. The IRS stated that there will be no taxable consequences to volunteers who earn credits as reimbursement for services rendered. This ruling focused on the charitable nature of the organization, the charitable class served by the program, the fact that the organization was not a commercial for-profit barter club and the fact that any qualifying person would receive such services without regard to cost.

The second ruling was a private ruling covering a program expressly established to generate exchanges among members. The central reason given for the ruling was that the credits were used primarily to motivate members and that no contractual rights arose when one earned a credit or owed a credit. It is significant to note that the ruling contemplated labor contributed by a skilled tradesman, a painter, but noted that all hours were valued as equal, regardless of market value, and that the primary purpose of the credits was clearly to motivate members. Moral suasion was the only means of prodding a member to eliminate a debt.

The ruling drew a distinction between commercial barter exchanges where barter credits can be purchased, where outstanding debts can be eliminated by cash payments, where a commission is charged for each exchange, and where the motive of all parties is profit. In such situations, all members enter into a legally enforceable contractual obligation.

The ruling drew upon a concept in tax law called "imputed income." There are certain situations where we earn a benefit, yet are not taxed. When we produce something for our own consumption, we are not taxed on it - even though we receive benefit as a result of our own labor. The services that spouses or children provide for each other such as doing the dishes, cutting the lawn, or taking out the garbage are also exempt from gross taxable income. The fact that it is possible to hire someone to do these things, and therefore assign a cash value to these activities does not alter the fact that when performed by family members, they are not taxable income.

The imputed income concept usually applies to informal exchange of similar services on a noncommercial basis to exempt the kinds of services that one does for oneself or one's family. It is invoked in situations where some or all of the following considerations

come into play: exchange of similar services: absence of any contractual obligation to repay a debt, reliance on moral suasion to collect debts, predominance of services of the type generally performed by family members, the existence of permanent debtors in the exchange, the use of time rather than market value as the unit of measurement.

When a relative comes to baby-sit, when a PTA contributes to a school, visits to hospitalized members of a congregation, participation in a car pool, we also receive benefits from others that the IRS does not treat as taxable income. It is possible to view the TimeBank credits as an extension of the carpool. The family, car pool buddies, members of a charity or religious congregation all represent expanding concentric circles of the non-market economy.

The IRS distinguished Time Dollar programs from commercial barter clubs on the following grounds: the absence of a commission charged by the organization, cash cannot be used to purchase credits or to eliminate a debt, the predominance of like-for-like services in the exchange, and the equal valuation given to all hours. While there is no guarantee that the IRS will not reconsider its position at some future time, it seems highly unlikely. The non-contractual nature of the exchanges; the charitable purposes advanced; and the focus of the program on rebuilding family, neighborhood, and community all make it unlikely that Time Dollars will be treated as taxable income.

If the IRS really wants to decree that retirees will be taxed for driving their neighbors to the doctor, political redress is an obvious route. But this do-it-yourself currency even includes a do-it-yourself defense against the IRS.

People earning time dollars could simply give them to the tax-exempt membership organization sponsoring the program. They would, in effect be say, we trust the norm of reciprocity more than the world of contract. Should we ever be in need, we would rather place our trust in each other.

If the IRS insists on perverting Time Dollars by treating it as a taxable quid pro quo transaction, then members can willingly surrender any "contractual right" valued by the market mentality. That part that members gave of themselves was never for sale. TimeBanking asserts that we have an inalienable right to the private world of family, of extended family, of community. We will render under Caesar, that which is Caesar's. But no more. There is another domain you may not touch.

In the early days of the Republic, Chief Justice Marshall observed in well known words that "the power to tax involves the power to destroy." It is just possible that in the Time Dollar, a sovereign people asserting the ultimate power of the sovereign, to create money, may have found a way to thwart even the IRS' power to destroy.