



## **Humboldt Exchange Coordinating Committee**

**Project Coordinators**  
*Kaitlin Sopoci-Belknap  
& Shannon Tracey*

**Project Intern**  
*Teri Grunthaler*

**Volunteers**  
*Rob DiPerna  
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## **Humboldt Exchange Contact Information**

**Mailing Address**  
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Eureka CA 95502-0858*

**Phone & Fax**  
*(707) 476-8475*

**Internet**  
*[www.HumboldtExchange.org](http://www.HumboldtExchange.org)*

**The Humboldt Exchange  
is a project of  
Democracy Unlimited  
of Humboldt County**

***In Each Other  
We Trust!***

## **Dear Humboldt County Business Owner,**

### **Thank you for your interest in the Humboldt Exchange!**

The Humboldt Exchange is Humboldt County's Community Currency Project. This packet of information will provide you with much of the information you will need to participate in the project and begin accepting Community Currency at your business.

We hope that you find this information useful. We want your experience with Community Currency to be positive and rewarding - both financially and otherwise. Once you have had a chance to review these materials please contact us to set up a meeting to further discuss your participation in the Humboldt Exchange Project. We will be happy to answer any questions you may have and to do whatever we can to help get you started. We also welcome your feedback on this project and the materials enclosed.

### **What is Community Currency**

Community currency is a currency not backed by a national government, and intended to trade only in a small area. These currencies are also referred to as "local currency" or "complementary currencies."

### **How Humboldt Community Currency Works**

The distribution of Currency and the publishing of the Humboldt Exchange, the bi-monthly directory for exchanges based on Community Currency, is facilitated by the Humboldt Exchange Community Currency Project, under the umbrella of Democracy Unlimited of Humboldt County and is therefore a project of a non-profit 501c3 organization.

Person to person exchanges are suggested at a rate of half Community Currency and half US dollars, however there are several items and services listed in the Humboldt Exchange directory that are available for all Community Currency. We encourage the concept of a Minimum Living Wage of \$10/hour, so we ask all participants to charge a *minimum* of \$10 (half U.S. dollars and half Community Currency) for an hour of their services.

In practice, each exchange is negotiated between individuals. As a participating business you will decide for yourself how many Community Currency bills your business will accept per purchase, and you may change your policy as you go along. As Community Currency is only issued to businesses and individuals that also accept the Currency, it is our goal that you will never be flooded with more Currency than you can easily re-spend.

## **Is This Really Legal to Use?**

Local currencies are legal and there are many of them throughout the United States. Like U.S. dollars, a form of taxable income. The Federal Reserve and the Internal Revenue Service have no prohibitions on local currencies, as long as their value is fixed to the U.S. dollar, the minimum denomination is worth at least \$1, and the bills do not look like federal money. Humboldt Community Currency meets each of these benchmarks.

## **Making a Community While Making a Living**

Research from other community currency systems, most notably Ithaca HOURS, shows that community currencies increase business volume for participating merchants. Community currencies inject more cash into the local economy. Local money provides an incentive for people who have such money to spend it at a local business that accepts the currency.

Additionally, because Humboldt Community Currency bills re-circulate within the community indefinitely, rather than leaving the area after only a few transactions, as U.S. dollars often do, the entire community benefits from them over and over. As more and more businesses and individuals choose to accept Humboldt Community Currency, our local economy will be strengthened, making Humboldt less vulnerable to outside economic dominance and instability.

## **Materials Included in This Packet**

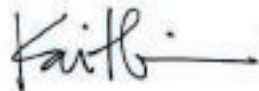
- How the Humboldt Exchange Project Will Work With You
- Ways to Accept Community Currency at Your Business
- Ways to Spend Your Community Currency
- How Community Currency Supports Your Local Business
- How Community Currency Supports Our Community
- You Are in Good Company: Other Community Currency Projects in the United States
- Tax and Legal Issues
- Community Currency and Your Accounting System
- Other Ways to Support the Humboldt Exchange Project
- Current Issue of the Humboldt Exchange Directory (the back cover includes images of the Community Currency bills - \$1, \$5, \$10, \$20, \$50 - all designed by local artists and printed on 100% organic hemp paper with organic soy inks.)

We look forward to working with you to benefit our community members and help our local economy through this project. Please contact us to discuss your participation further, and thank you again for your interest in the Humboldt Exchange Community Currency Project.

## ***In Each Other We Trust!***



Shannon Tracey



Kaitlin Sopoci-Belknap

**Humboldt Exchange Project Coordinators**



# How the Humboldt Exchange Project Will Work With You

We are happy to support your choice to accept Humboldt Community Currency in your place of business.

Here are a few things we can provide to support you, at your request:

- Train your staff to explain, account for and accept Community Currency
- Help brainstorm the best ways for you to accept currency
- Help research ways for you to spend the currency you begin accepting
- Bookkeeping and accounting models
- Approaching local suppliers or other businesses where you would like to spend Community Currency

When you first begin accepting the currency we will spotlight your business in the Exchange directory – providing a free 1/3 page ad (that we can design for you if you like). We print 3000 copies of the directory and distribute them throughout the county. We will also include a postcard advertisement for your business in the mailing we send to each of the individuals who list in the directory.

Once you are accepting Humboldt Community Currency at your storefront business, we will also accept it from you for purchase of underwriter ads in the Exchange bi-monthly directory of community listings.

In addition we will provide you with:

- Informational materials (brochures, posters and handouts) for your customers about Community Currency.
- A Window sign and store display for materials to advertise that you accept Community Currency.

While many of these offers are geared for storefronts, we will also be happy to work with other types of businesses. We will work with you to determine what we can offer to best help you accept Community Currency.

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# **Ways to Accept Community Currency**

You are always in control of how much Humboldt Community Currency your business accepts. You can decide how much Humboldt Community Currency your business will accept per purchase, and you may change your policy as you go along. We suggest that you begin by accepting a small amount that is easy to re-spend. As Humboldt Community Currency becomes more widely accepted, you can change your policy later to accept a greater amount of Humboldt Community Currency.

Here are some examples of how businesses have chosen to accept Community Currency:

- As a maximum percentage per purchase
- As a maximum total per purchase
- Only on purchase minimums above a certain amount
- On certain days of the week, days of the month, times of day or during off hours
- For off season items
- On certain types of merchandise, like sale items
- Fixed percentage of cost
- Fixed percentage of cost for certain items and services (can vary by item ie 50% for accessories, 10% for large equipment)
- Total cost of certain items or services
- Max amount per person
- Max amount per day
- Max amount per purchase, with minimum expenditure of U.S. dollars
- Used to pay for memberships, subscriptions or annual dues

Note: Community Currency comes in \$1, \$5, \$10, \$20, \$50 bills. The smallest denomination is a \$1 so it is important to accept the currency in a way that doesn't cause you difficulties making change or accepting currency from your customers.



# Ways to Spend Your Community Currency

As part of our commitment to supporting you as a local business choosing to accept Humboldt Community Currency we would like to help you ensure you have appropriate outlets for the Community Currency that you will be receiving.

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Here are a few ideas we have gleaned from other projects:

- **Pay Community Currency to employees or yourself as part of wages or bonuses.** Employees must receive the California minimum wage in U.S. dollars. Employees may agree to voluntarily accept any amount above that in Community Currency. Wages paid in Community Currency are not subject to tax withholding, and in some cases are tax-exempt (IRS Reg. [1322.01] 1.132-1, Federal Tax Reporter '91 v.2: 20,009).
- Make donations and grants to community organizations.
- Customers may receive Community Currency as change or swap them for U.S. dollars.
- Community Currency can also be "bought" from your cash register with a personal check or cash.
- **Buy goods and services for your business.** Every other month we publish a directory of listings from individuals who accept Community Currency for services they offer. Many of these services are things your business probably already pays for or could use – such as bookkeeping, filing, cleaning, recycling pickup, and computer consulting, services or repair. Each issue of the Exchange is different – with new services being offered. Browse through the current issue (included with this packet) to get ideas for services your business can use.
- **Advertise your business.** The Humboldt Exchange will accept Community Currency from you to pay for underwriter advertisements in our bi-monthly directory of community listings. 3000 copies are printed and distributed county-wide.



# How Community Currency Supports Your Local Business

Using Community Currency has an effect similar to commercial barter clubs to facilitate trade between local businesses. Barter systems can save participating businesses a lot of money. The major difference between a community currency and a commercial barter system is that the community currency is non-profit. There is no large yearly fee for participating, so the savings are even greater.

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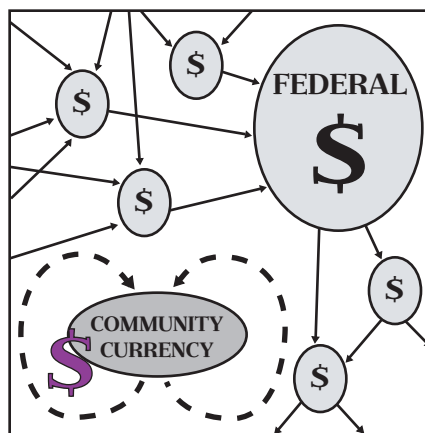
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Community Currency bills can be considered similar to coupons. For example, if you accept 10% of a sale in Humboldt Community Currency, it is like a 10% off coupon. As with coupons, Community Currency will bring in new customers who might not otherwise patronize your business. Unlike coupons, however, there is no cost to you to print them up, and the money can be re-spent locally.

Conventional (national) money goes anywhere, so when it's gone it stays gone. It leaves the local market



of your community almost immediately, and it certainly knows no loyalty to the spender. If, in addition to using U.S. currency, your business can also use a local money that ALWAYS comes back, this can only be to your advantage.

For more information on the benefits of local currencies vs. national currencies visit:

<http://www.gmlets.u-net.com/explore/busmoney.html>



# How Community Currency Supports Our Community

Because local currencies do not bear interest (which discounts future earnings in relation to present cash), they promote longer-term planning by encouraging participants to invest in productive assets rather than hoarding currency; and encourage trade and cooperation, because the money is in sufficient supply.

Local currencies help communities to recognize their inner strengths, the gifts of their members, and the value of cooperation. Local currencies inspire people to live in accordance with their values, to follow their inner passion rather than chase after an obsolete notion of "success." They enable people to make a contribution to their community and receive what they need or desire in return. They nurture human relationships and demonstrate how local production for local needs benefits the community, as well as reducing the stress upon distant communities who have been forced into near slavery and starvation to provide resources and services to the world's wealthy.

Creating community currencies encourages participatory democratic processes and shows how non-hierarchical systems empower people, and nurture hope, creativity, respect, and compassion.

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# You Are in Good Company

Popular during the Great Depression of the 1930s when federal dollars were in short supply, local currencies are experiencing a revival in North America, but for new reasons. Since the 1990s small towns and inner city neighborhoods have discovered that local money helps to define regional trading areas, educate consumers about local resources, and build community.

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Some of the best known systems are based on hours. If you prefer, you can translate our bills into 5 hour (\$50), 2 hour (\$20), 1 hour (\$10) and 1/2 hour (\$5) denominations. This is based on our suggestion of a \$10/hour minimum wage.

Here are some examples of other local currency programs, with websites for your reference:

- *IthacaHOURS*: Ithaca, New York  
<http://www.ithacahours.org/>
- *BerkShares*: Western Massachusetts  
<http://www.berkshares.org>
- *Madison Hours*: Madison, Wisconsin  
<http://www.madisonhours.org>
- *NOCO Hours*: Northern Colorado: Fort Collins, Loveland, Greeley, and the surrounding communities  
<http://www.fortnet.org/nclcbp/>
- *Coconut Currency*: Kilauea, Hawaii  
<http://www.realkauai.net/Barter/Coconut.php>
- *BloomingHOURS*: Bloomington, Indiana  
<http://www.bloomington.in.us/~blmghour/>

A much longer list (though not all current) can be found at:  
[http://en.wikipedia.org/wiki/Usa\\_Community\\_Currencies](http://en.wikipedia.org/wiki/Usa_Community_Currencies)

The use of community currency is on the rise, not only here in the USA, but also in many other places all over the world. Some communities utilize time dollars, or centralized accounts of units of value (LETS) but all models have the goal of promoting local mediums of exchange.





## Tax and Legal Issues

Upon first hearing about a community currency system, some folks are concerned about the legality of alternative currency use. Many have gone to accountants for advice about the handling of this currency. This is a summary of reassurances and pointers from an accountant from Ithaca, NY. (Translated from referring to Ithaca hours, to our own Humboldt Community Currency.)

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*Think of Community Currency Bills Just Like Cash:* Though the printed notes are not monotonously green like the paper cash most of us are used to, they certainly are a form of cash. Each bill is assigned a specific conversion-value in U.S. currency and this cash value is what is used for tax purposes.

*Treat Community Currency Bills Like Cash:* There is absolutely no reason to file any Internal Revenue Service forms relating to "barter transactions" for your Humboldt Community Currency activity. If your Humboldt Community Currency is earned or spent for business purposes then the cash value of Humboldt Community Currency income or expenditures gets mixed in with all other income and expenses.

Whenever you receive a community currency bill, ask yourself: "if this were a U.S. bill, would I report it as taxable income and pay tax on it?" If the answer is "yes", then add the income to your taxable business income and pay taxes on it; otherwise ignore it on your tax returns.

*The currency itself is perfectly legitimate.* The above is all you need to know about Humboldt Community Currency legality. Remember the taxability of the bill is based on the purpose of the Humboldt Community Currency transaction. For business purposes treat a Humboldt Community Currency bill as that denomination of U.S. currency.



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# Community Currency and Your Accounting System

Income-type purpose & expense-type purpose get sorted out and categorized in business records just like before.

What you now have are simply two flavors of cash: U.S. currency and Humboldt Community Currency. The U.S. currency and the Community Currency do need to get totaled separately (though they will form a part of the single "cash" assets line in any business balance sheet) – mainly because Community Currency can't get included in bank deposits.

Ledgers which previously had separate columns for "checks received", "credit cards received" and "cash received", would now ideally add one more column for "Community Currency received."

If you already have a ledger or simple list where petty cash spending is recorded, then Community Currency spending could be recorded there too. Simply asterisk or mark in some way (or put into 2nd column) those pay outs which are made via Community Currency; there will always be two ending balances of petty cash remaining, one for U.S. money and one for Community Currency.

(Suggestion from Flagstaff: Collect sales tax in U.S. dollars.)

If you take Community Currency bills home for personal use, replace them in the cash register with U.S. dollars from your own pocket.

Cash register reorganizing is minimal. The simplest approach to filing away Community Currency collected at a retail business is to slide the Community Currency bills under the U.S. currency bills of the same denomination.

Whenever you spend a Community Currency bill ask yourself: "If this were a \$10 dollar bill, would I report it as a deductible expense and thus lower my taxable income?" If the answer is "yes", then add \$10 to the specific kind of deductible expense involved; otherwise ignore it on your tax returns.



# Other Ways to Support the Humboldt Exchange Project

Even if your business can't start accepting Community Currency right away there are several ways you can show support for the project. And even if you do start accepting Community Currency right now you can still do any of these things too!

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- Place ads for your business in the Humboldt Exchange directory. Prices for display ads:

Business card = \$20 (3"w x 1.7"h)

1/6 page = \$50 (3"w x 5.5"h)

1/3 page = \$100 (6.75"w x 5.5"h)

1/2 page = \$150 (10"w x 5.5"h)

Full page = (10"w x 11"h)

- Allow us to put a display stand for the Humboldt Exchange directory at your store.
- Donate money to the project.
- Buy a proof sheet to display at your business.
- Get involved as an individual by listing goods or services in the Humboldt Exchange directory.
- Volunteer with the project.
- Tell others about the project - talk to other people or businesses you make purchases from and ask if they will accept Community Currency from you if you start accepting it at your store.

Our hope is to make this a project that anyone can participate in - however you feel comfortable. Please let us know what would make this project work better for you.