



IRS Nationwide

Tax Forum | 2022

Deeper Dive Into Emerging Cyber Crimes and Crypto Tax Compliance
Tuesday, July 26th, 2022

Start Time: 11:00am Eastern / 10:00am Central
9:00am Mountain / 8:00am Pacific

Note: You should be hearing music while waiting for webinar to start.

Having Technical Issues?

View the “Technical Issues” troubleshooting guide in the Materials drop-down menu on the left side of this page



Today our webinar will further:

- Understanding and responding to a business email compromise and/or data breach
- Identifying what the Dark Web is and how it is utilized for cybercrime and identity theft
- Recognizing general terms and information pertaining to virtual currency
- Understanding the efforts by IRS-Criminal Investigation to combat cyber criminals and illicit activity



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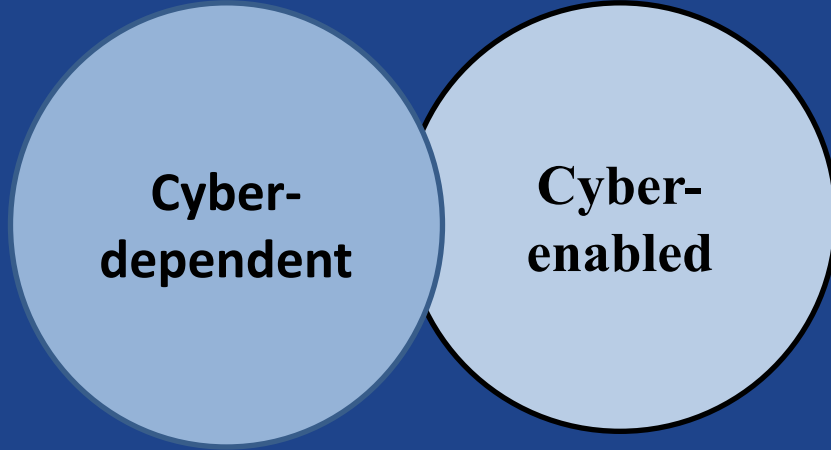
2022

IRS-CI MISSION

- Investigate criminal violations of the Internal Revenue Code and related financial crimes
- Foster confidence in the tax system and compliance with the law



Types of Cybercrimes



Understanding BEC and Data Breach

WHAT IS THE PROBLEM?

BEC – Business Email Compromise

2020: 19,369 Complaints to IC3; losses \$1.8 Billion

2021: 19,954 Complaints to IC3; losses \$2.3 Billion

IRS Reported Data Breach

2020: 291 Cases Reported

2021: 268 Cases Reported



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BEC Process

- Social Engineering
- Grooming
- Exchange of Information



BEC Example

-----Original Message-----

From: Mickey Mouse <mk@mu.se>

Sent: Tuesday, January 22, 2019 1:03 PM

To: Minnie Mouse <minnie@realbusiness.org>

Subject: Request

Hi Minnie,

I need you to email me 2018 W2s of all employees. How soon can you get me those?

Regards

Mickey Mouse





Ransomware

- Form of Data Breach – typically a phishing Email
- Type of malware - encrypts data making it unusable
- Ransom demanded – range from \$250 to Millions \$

Ransomware

Wana Decrypt0r 2.0
English



Ooops, your files have been encrypted!

Payment will be raised on

1/4/1970 00:00:00

Time Left

00:00:00:00

Your files will be lost on

1/8/1970 00:00:00

Time Left

00:00:00:00

not so enough time.

You can decrypt some of your files for free. Try now by clicking <Decrypt>. But if you want to decrypt all your files, you need to pay.

You only have 3 days to submit the payment. After that the price will be double. Also, if you don't pay in 7 days, you won't be able to recover your files for free. We will have free events for users who are so poor that they couldn't pay.

How Do I Pay?

Payment is accepted in Bitcoin only. For more information, click <About Bitcoin>. Please check the current price of Bitcoin and buy some bitcoins. For more information, click <How to buy bitcoins>.

And send the correct amount to the address specified in this window. After your payment, click <Check Payment>. Best time to check: 9:00am - 11:00am GMT from Monday to Friday.

Once the payment is checked, you can start decrypting your files immediately.

Contact

If you need our assistance, send a message by clicking <Contact Us>.

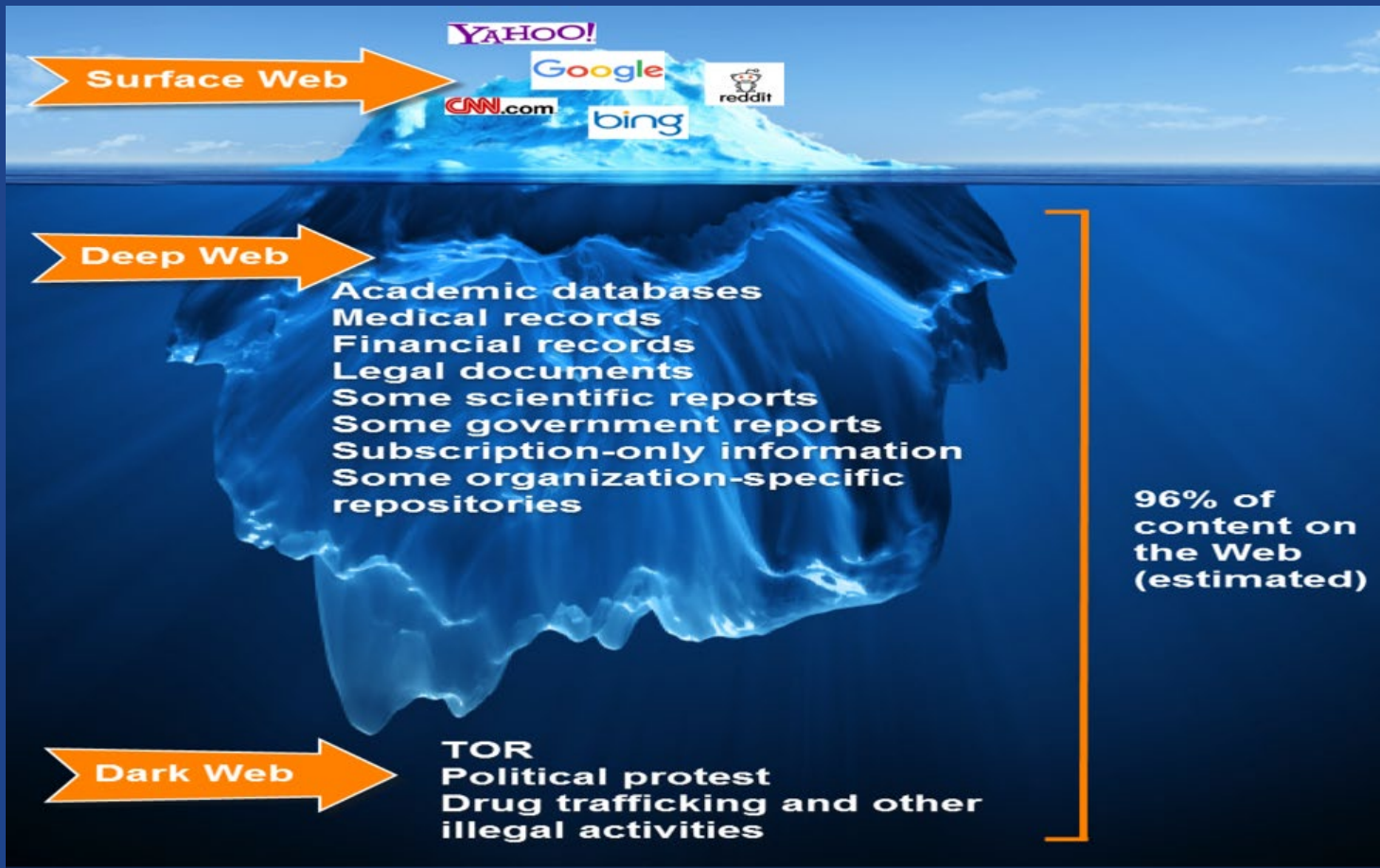
We strongly recommend you to not remove this software, and disable your anti-virus for a while, until you pay and the payment gets processed. If your anti-virus gets updated and removes this software automatically, it will not be able to recover your files even if you pay!



What Can You Do?

- Have a Data Security Plan for your business
- Manage Employees
- Software Protection
- Social Media
- Email

Dark Web





Dark Web



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Dark Web Markets

[silk road](#)

[alphabay](#)

[agora](#)

[evolution](#)

[sale](#)

[drugs](#)

[market](#)

[ship](#)

[utopia](#)

[black](#)

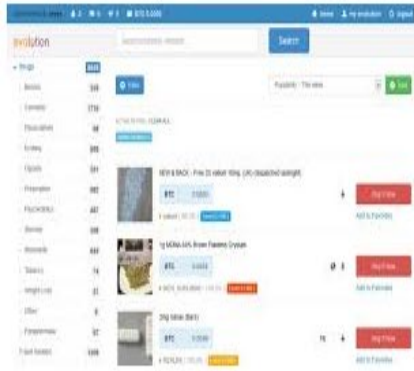
[hansa](#)

[usd](#)

[silkroad](#)

[stolen](#)

[agora marketplace](#)



1609 x 885 - dailydot.com



Virtual Currency

Over 19,500 various coins





Virtual Currency

- MOST POPULAR – BITCOIN
- Currently - over 4,000 Cryptocurrencies in circulation with a market value over \$1 Trillion
- At one point, 26% of Crypto-Asset founders are located in US





General Treatment

- Virtual currency is recognized as property (not currency)
- Gain or loss on sale is treated similar to sale or exchange of securities
- Virtual currency payments are subject to information reporting
- Receipt of virtual currency as payment for goods or services is includible in income at its fair market value at the date of receipt

General Treatment

- FIN-2019-G001 (Convertible Virtual Currency)
 - Ex. Digital currency, cryptocurrency, crypto asset, digital asset, etc.
- Cryptocurrency 2022 Legislation
 - 37 States and US territories
- IRS Notice 2014-21 and IRB 2014-16
 - Guidance for individuals and businesses - tax treatment on virtual currencies
- Infrastructure Investment Act

Crypto Kiosks

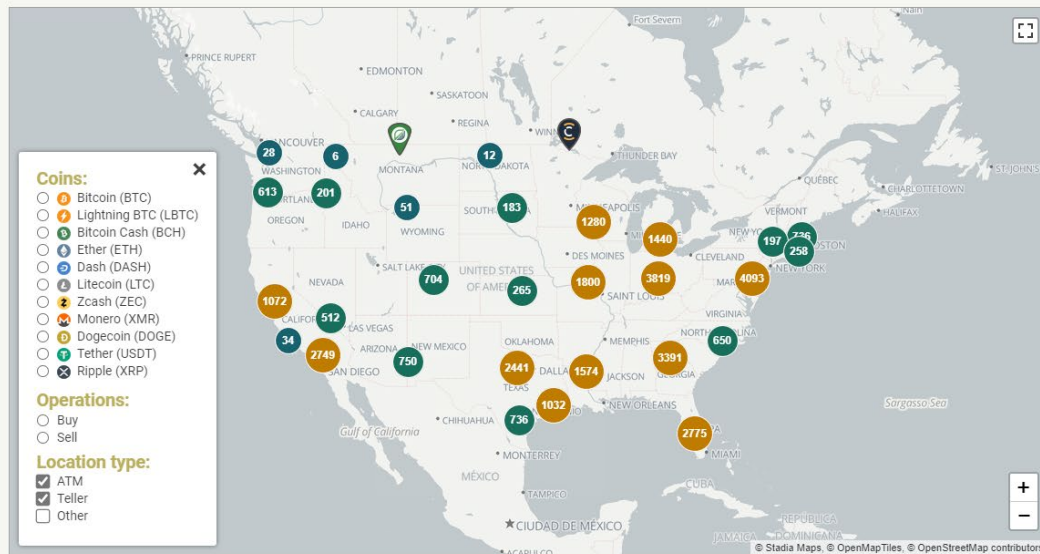


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Bitcoin ATMs in United States. 🇺🇸

Coinatmradar.com

Total number of Bitcoin ATMs / Tellers in United States: 33489



Who Accepts Bitcoin



Approximately 150,000 businesses, including:





Why use Bitcoin?

- Speed
- Globally Mobile
- Inexpensive
- Secure
- No Inflation, but Market Volatility
- Anonymity

IRS-CI Cyber Efforts

- Cyber Crimes Unit Established
- Headquarters Section in DC
- Cyber Crimes Coordinators
- Cyber Storefront and UC capabilities
- CIS Agents & Electronic Crimes Analysts
- Cyber Support Unit
- Cyber and Forensic Services
- Advanced Collaboration and Data Center



IRS-CI Enforcement Efforts

- Investigation & Prosecution
- Leading Agency/Country on the J5
- Direct Involvement in the NCFTA and Europol

Successful Prosecution

- Silk Road I and II
- Liberty Reserves
- AlphaBay Market
- BTC-E
- XDedic Marketplace
- One Coin
- Helix
- Bitcoin Fog
- Welcome To Video
- North Korean Hack
- Terrorism Finance
- McAfee





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Resources

- IRS Publication 4557 (business security plan)
- www.nist.gov
- www.irs.gov (suspect a data breach, search for stakeholder liaison)
- www.ic3.gov
- <https://coinatmradar.com>
- <https://coinmarketcap.com>