



IRS Nationwide Tax Forum | 2021

IRS-CI: Deeper Dive into Emerging Cyber Crimes
and Crypto Tax Compliance
Thursday, August 5th, 2021

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



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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



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



Understanding BEC and Data Breach

WHAT IS THE PROBLEM?

BEC – Business Email Compromise

2019: 23,775 Complaints to IC3; losses \$1.7 Billion
2020: 19,369 Complaints to IC3; losses \$1.8 Billion

IRS Reported Data Breach

2019: 167 Cases Reported
2020: 289 Cases Reported



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BEC Process

- Social Engineering
- Grooming
- Exchange of Information



Ransomware

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



What Can You Do?

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



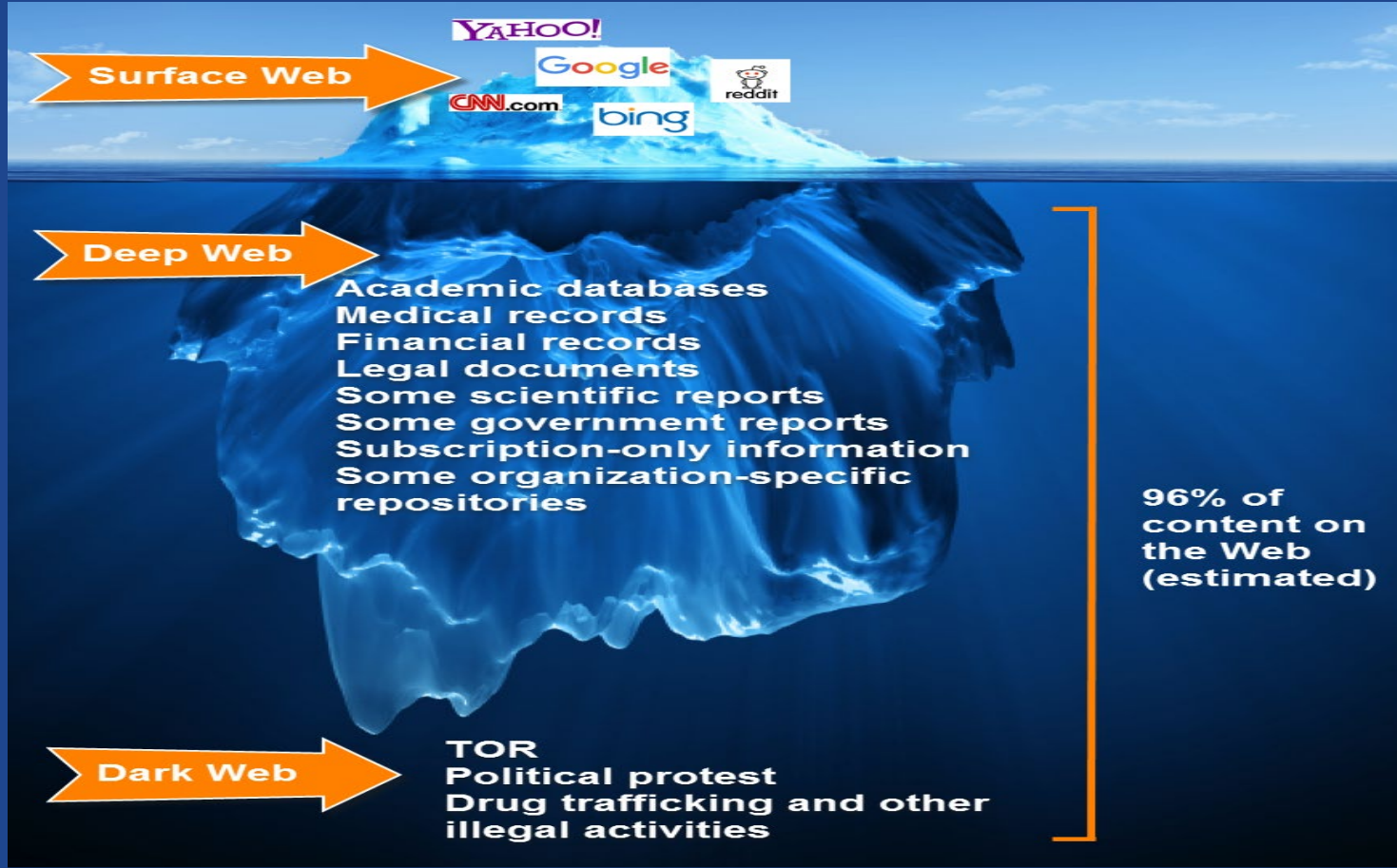
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Dark Web



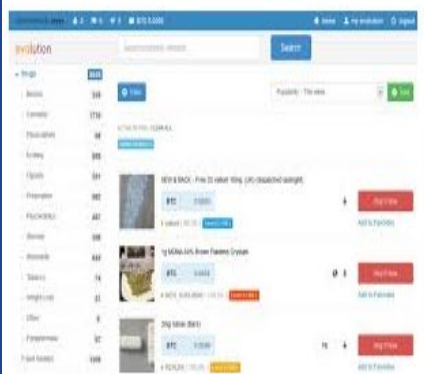


Dark Web



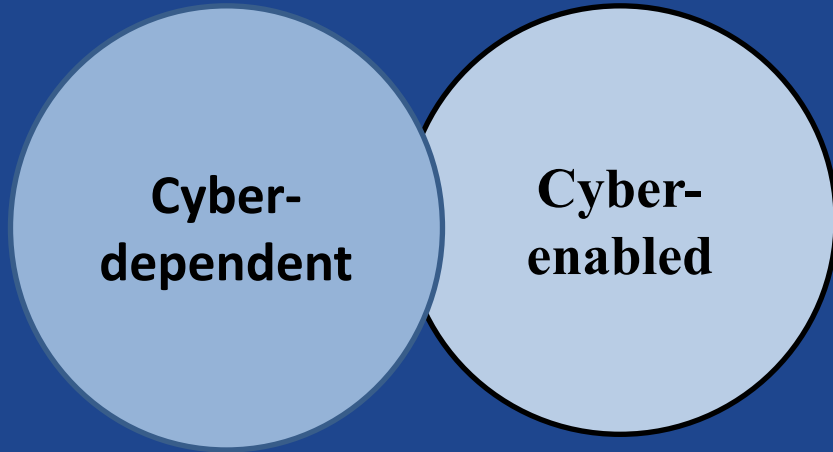
Dark Web Markets

- silk road
- alphabay
- agora
- evolution
- sale
- drugs
- market
- ship
- utopia
- black
- hansa
- usd
- silkroad
- stolen
- agora marketplace





Types of Cybercrimes





Initial Coin Offering

- Can be used for fraud
- Pump and Dump
- Banned advertisements
- High Risk
- Lack of trust by Financial Industry





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Virtual Currency

Over 5000 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





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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

Crypto Kiosks





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Who Accepts Bitcoin



Approximately 150,000 businesses, including:





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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



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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

