IRS Nationwide 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



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

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• 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

BEC Process

Social EngineeringGrooming

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• 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

Dark Web



Deep Web

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Academic databases Medical records Financial records Legal documents Some scientific reports Some government reports Subscription-only information Some organization-specific repositories

Dark Web

TOR Political protest Drug trafficking and other illegal activities 96% of content on the Web (estimated)

Dark Web



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Dark Web Markets





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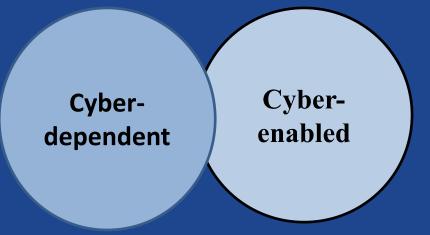
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Types of Cybercrimes





Initial Coin Offering

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



Virtual Currency Over 5000 various coins





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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

Crypto Kiosks



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Coinatmradar.com

Who Accepts Bitcoin



Approximately 150,000 businesses, including:



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TigerDirect.com







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

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- 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