



# Newsletter

OCTOBER 2021

*Freddi Eberhart & Associates Inc. would like to thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We truly appreciate your referrals.*

## **This Month:**

### **Upcoming dates:**

#### **October 15**

- Filing deadline for extended 2020 individual and C corporation tax returns

#### **October 31**

- Halloween

With the 2021 tax filing season just a few months away from starting, the IRS is warning taxpayers to be on the lookout for signs that your identity has been stolen. This month's newsletter alerts you to some of the common signs of identity theft and what you can do if you discover that you're an identity theft victim. Also in this month's edition the story of a Tweet worth \$2.9 million and the IRS backlog of historical proportion.

**\*\*BIG TAX CHANGES ON THE 2022 HORIZON!** Stay tuned for upcoming special edition releases as we follow the House Democrats recent tax proposals. Be sure to get on your tax planning before this 2021 year ends.

Please call if you would like to discuss how this information could impact your situation. If you know someone who could benefit from this newsletter, feel free to send it to them.

## **IRS Warns of Identity Theft Signs**

With identity thieves continuing to target the tax community, the IRS is urging you to learn the new signs of identity theft so you can react quickly to limit any damage.

### **The common signs of ID theft**

Here are some of the common signs of identity theft according to the IRS:

- In early 2022, you receive a refund before filing your 2021 tax return.
- You receive a tax transcript you didn't request from the IRS.
- A notice that someone created an IRS online account without your consent.

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## IRS Warns of Identity Theft Signs (Cont'd)

- You find out that more than one tax return was filed using your Social Security Number.
- You receive tax documents from an employer you do not know.

Other signs of identity theft include:

- Unexplained withdrawals on bank statements.
- Mysterious credit card charges.
- Your credit report shows accounts you didn't open.
- You are billed for services you didn't use or receive calls about phantom debts.

### What you can do

If you discover that you're a victim of identity theft, consider taking the following action:

- **Notify creditors and banks.** Most credit card companies offer protections to cardholders affected by ID theft. Generally, you can avoid liability for unauthorized charges exceeding \$50. But if your ATM or debit card is stolen, report the theft immediately to avoid dire consequences.
- **Place a fraud alert on your credit report.** To avoid long-lasting impact, contact any one of the three major credit reporting agencies - Equifax, Experian or TransUnion - to request a fraud alert. This covers all three of your credit files.
- **Report the theft to the Federal Trade Commission (FTC).** Visit [identitytheft.gov](http://identitytheft.gov) or call 877-438-4338. The FTC will provide a recovery plan and offer updates if you set up an account on the website.
- **Please call if you suspect any tax-related identity theft.** If any of the previously mentioned signs of tax-related identity theft have happened to you, please call to schedule an appointment to discuss next steps.

## The Tweet Worth \$2.9 Million!

*Understanding the world of NFTs*

The collectibles industry used to be defined by classic keepsakes such as stamps, coins, and trading cards. Today, a new kind of collectible called non-fungible tokens (NFTs) has exploded in popularity. From

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## The Tweet Worth \$2.9 Million! (Cont'd)

music to digital game pieces, NFTs are digital assets that sometimes sell for millions of dollars. Twitter co-founder Jack Dorsey sold his first-ever Tweet as an NFT for \$2.9 million!

But is there any substance behind the hype? And what does it mean for you?

### Understanding NFTs

NFTs offer a blockchain-created certificate of authenticity for any digital asset. This asset can be a piece of music, a token for a popular game, or a piece of digital art. To understand an NFT, consider its components:

*Non-Fungible...*Where cryptocurrency like a Bitcoin is designed to be readily tradable (fungible), non-fungible is just the opposite. There is one and only one of it.

*Token...*In this case the non-fungible identification is attached to a specific digital asset or token.

Therefore, each NFT is unique and can readily solve the problem of users creating multiple copies of a digital asset. In effect, Jack Dorsey's original tweet cannot be copied or duplicated because of NFT technology!

### Why NFTs are popular

Traditional artists rely on auction houses and galleries to sell their work. These galleries and auction houses authenticate the work as original. Now artists can sell digital works at the same prices as rare works of art by using NFTs to do the authentication work for them. It is so popular now that even companies are getting in on the action. For example, a Charmin digital brand was auctioned off to raise funds for charity.

### Why some NFTs are so expensive

Just like physical collectibles, there's a market for NFTs. Current NFT buyers tend to be tech workers and entrepreneurs who understand the intricacies of purchasing digital goods. Artists are also dipping their toe into the NFT waters. For instance, superstar artists like King of Leon and Steve Aoki have sold NFTs for millions of dollars. Just imagine if your favorite musician decided to record an exclusive piece of music and then only sell 100 copies of the song. How much would you pay?

### What you need to know

Here's what you need to know about getting involved with NFTs:

- **Large cash outlay not necessary to invest.** There are multiple NFT marketplaces where you can get

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## The Tweet Worth \$2.9 Million! (Cont'd)

involved as a buyer without getting into 5- and 6-figure bidding battles. Some of the more popular popular marketplaces are Opensea, Rarible, SuperRare and Nifty Gateway.

- **Beware of fees to create NFTs.** If you want to create your own NFT, you'll likely spend hundreds of dollars in various fees to make your own tokens. If you end up selling your tokens, you may be able to cover the cost of these initial fees. If you struggle to sell your tokens, however, you'll end up eating the cost of creating the tokens.
- **Do your research.** Since NFTs are so new, there isn't a lot of history to judge its performance. As with any investment, you could either make a fortune, lose everything you invested, or end up somewhere in between. And these digital assets are treated just like other property, so you would pay capital gains taxes if you sold an NFT at a profit.
- **NFTs require power.** NFTs use blockchain technology. Blockchain technology requires power. Lots of it. There is growing concern on the energy usage for this new digital marketplace and whether it is sustainable.

Because NFTs are becoming so popular, so fast, many experts are leery of what the world of NFTs will look like in the future. Regulation is currently lacking, and legal precedence is unclear. While blockchain technology can verify your purchase, does owning the NFT of something really mean you own the asset? Will NFTs stand up in court? These are some of the questions being asked without concrete answers.

## IRS Backlog of Historical Proportions

*What you need to know if one of your tax returns is stuck*

The IRS is coping with a backlog of historical proportions and it is impacting millions of taxpayers. According to IRS sources, as of July 31, there are still over 13 million tax returns that are to be processed. The nearly unprecedented delay is being attributed to the COVID-19 pandemic, under staffing at the IRS, and a slew of recent tax law changes. The challenge is how to navigate the IRS notices if you are caught up in this mess.

### Complicating your tax life

- You've filed for an extension via mail, but the IRS says you haven't filed your return yet and issues notices and penalties.
- You keep getting letters from the IRS after responding to initial inquiries.
- You filed your tax return on time, but the IRS says it doesn't have your return, even though you may have received a confirmation.

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## IRS Backlog of Historical Proportions (Cont'd)

### What you can do

While you may not be able to get your tax return processed any faster, there are steps you can take to stay informed and make it easier for the IRS to work with your tax situation:

- **Track your refund status.** The IRS has developed an online tool, “Where’s My Refund?” that can provide updates. Find it at <https://www.irs.gov/refunds>.
- **Check out IRS2Go.** The agency also provides a mobile app called IRS2Go that checks your tax refund status. You can see if your return has been received, approved, and sent.
- **Stay calm and keep responding.** If the IRS sends you notices, keep detailed records of the notices and your timely replies. Eventually, they will get caught up. So keep good records by leaving a digital footprint and back up electronic records with paper versions.
- **Prior correspondence is your friend.** When you’re replying to IRS notifications, attach copies of prior correspondence with your latest letter. Make it easy for the IRS to follow your paper trail by dating each response and keeping the most recent response on top.
- **Keep proof of delivery.** Use express delivery or certified mail to confirm that the IRS receives your responses in a timely manner.

Remember that the IRS is working as quickly as it can to clear this backlog. Please call if you have any questions about a tax return you believe to be stuck because of this situation.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

*This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.*