

March 1, 2021

Form 1099K to Generate IRS Audit Leads

The Internal Revenue Service is using data from Form 1099K to generate audit leads. Third party payment networks such as PayPal must send the 1099K to payees who have over 200 transactions and were paid more than \$20,000 during the year. The IRS's computers flag mismatches with receipts reported on Schedule C of the 1040. *The Kiplinger Tax Letter 11/25/20.*

IRS To Audit More Partnerships

The IRS wants to beef up the examination rate for partnerships by 50%. It is hiring more revenue agents and tax law specialists and launching additional targeted compliance campaigns to focus on issues relating to partnerships and their owners. *The Kiplinger Tax Letter 11/25/20.*

NJ Revises Veterans Property Tax Exemption

Effective December 4, 2020, New Jersey eliminated the wartime service requirement for the \$250 Veterans Property Tax Deduction and for the 100% Disabled Veterans Property Tax Exemption. *NJ Public Law 2019, c. 413.*

Do You Engage In Crypto Currency Transactions?

Since Paypal is going to engage in cryptocurrency transactions you need to know the following:

The IRS has not lost its focus on its key priorities during the pandemic. On that list are virtual currency transactions.

Virtual currency is treated as property for tax purposes. This includes bitcoin and other forms of cryptocurrency. Similar digital representations of value that act as a substitute for real currency.

Taxpayers who sold or exchange virtual currency will recognize gain or loss on the transaction. The profit or loss will be capital gain or loss if the bitcoins were held for investment, similar to stocks or bonds. If you held the virtual currency for more than one year before selling or exchanging it, then the capital gain or loss is long term and subject to preferential tax rules.

Robinhood Fined By SEC

Do you have a trading account at Robinhood? Robinhood has agreed to pay a \$65 million civil penalty to settle allegations by the Securities and Exchange Commission that it repeatedly failed to disclose its receipt of payments from trading firms for routing client orders to them and also failing to satisfy its duty to seek the best reasonably available terms to execute customer orders.

“One of Robinhood’s primary selling points was that it did not charge its customers trading commissions” the SEC said on its order. “In reality, however, commission free trading at

Robinhood came with a catch. Robinhood's customers received inferior execution prices compared to what they would have received from Robinhood's competitors."

"For larger value orders, this price difference at Robinhood exceeded the commission its competitors would have charged. There inferior prices were caused in large part by the unusually high amounts Robinhood charged the principal trading firms for the opportunity to obtain Robinhood's customer order flow." Despite that, Robinhood falsely claimed in a website FAQ between October 2018 and June 2019 that its execution quality matched or best that of its rivals, the SEC order alleged.

"Robinhood failed to seek to obtain the best reasonably available terms when executing customers' orders causing customers to lose tens of millions of dollars." *Investment Advisor p.1 January/February 2021.*

We at Lisch Investment Management LLC use TD Ameritrade for our trading activity and use the best available terms to execute customer orders while giving clients commission fee transactions with extremely few exceptions.

Two Track Jobs Recovery

Are you unemployed? Maybe you are in the wrong state. The December 2020 Government State Unemployment Report released at the end of January showed the job losses were largely related to state lockdowns and jobs are rebounding rapidly in less restrictive states (and people are moving there).

Top 10 States with the Least Job Losses

Idaho	0.6%
Utah	0.6%
Miss	1.4%
Ala	1.7%
Ga	1.7%
Neb	2.3%
S.C.	2.4%
Ariz	2.8%
Ark	2.8%
Ind	2.8%

Top 10 States with the Most Job Losses

Calif	8%
N.J.	8%
Minn	8.3%
R.I.	8.7%
N.H.	8.8%
VT	9%
Mass	9.1%
N.Y.	10.4%
Mich	10.9%
Hawaii	13.8%

Most of these states lost jobs in leisure and hospitality as well as healthcare, education and manufacturing except Hawaii which suffered from unique tourism loss. *Wall Street Journal* 1/28/21 p. A16.

As always, if you have any questions about these or any other matters, do not hesitate to call us.