BCS CLIENTTELL

Vol. XXVIII | No. 1 Spring 2022 | Blackburn, Childers & Steagall, PLC Quarterly Newsletter

THE NEXT GENERATION OF LEADERSHIP

BY ANDY HATFIELD

Most leaders understand and realize proper succession planning is critical to the longevity of any business or organization. It's easy to understand this concept but putting it into practice can sometimes be much more difficult.

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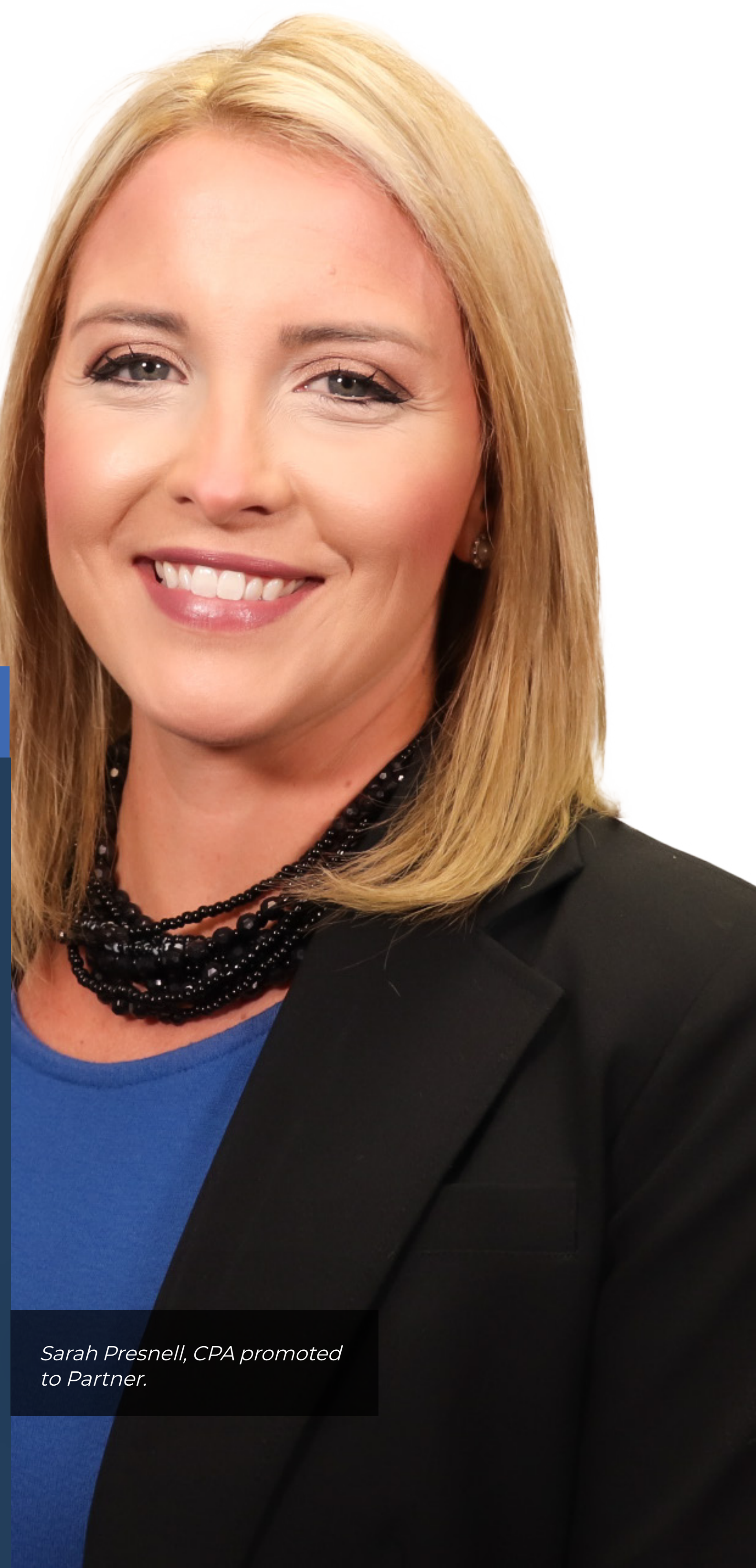


Sarah Presnell, CPA promoted to Partner.

>> CONTINUED FROM COVER STORY

With the challenges of the recent labor shortage, many businesses have been scrambling to find people to just "do the work" much less worry about what the future leadership of the organization looks like.

Accounting firms across the country have been dealing with many of the same challenges. I have spent time over the last couple of years collaborating with other firms' leadership and leaders in our community on how best to retain good people and provide a culture and atmosphere that is more conducive to the next generation of leaders within our firm. Giving opportunity and responsibility is a key element of doing just that. I'm proud to say that we promoted 20 within the firm this past January at various staff levels with Sarah Presnell being named Partner. It's not the title that makes these folks good leaders, but it does show that these individuals are willing and ready to take on more responsibility and seize opportunities that our firm can provide.

The next generation of leaders bring creativity, a high knowledge level of how to best use technology in the most efficient manner and a good perspective of balance in how they view work and life.

I am clearly not a leader from the "next generation," when I say "Our future is so bright I have to wear shades," a top hit from the one hit wonder Timbuk 3 in 1986. It's true though, I am very proud of our people and do believe that BCS is set up well to continue to serve our clients and stakeholders in our communities across East Tennessee and Western North Carolina for a very long time to come. ◆

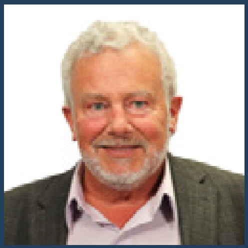
WELCOME!

TO ALL OF OUR RECENT NEW HIRES!

JULIA GROGAN
Managed Accounting Services, Boone

CHRISTY STARNES
Managed Accounting Services, Greeneville

LORI BISHOP
Managed Accounting Services, Johnson City



JIM WINTER
Tax, Johnson City

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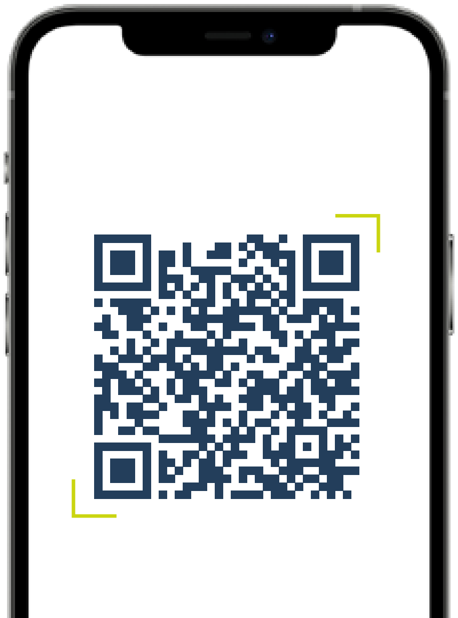


Employee Retention Credit Update

BY JEREMY WRIGHT

As we continue to grapple with the challenges of a lingering pandemic, we want to take a moment to highlight an important payroll tax credit and its impact on our community.

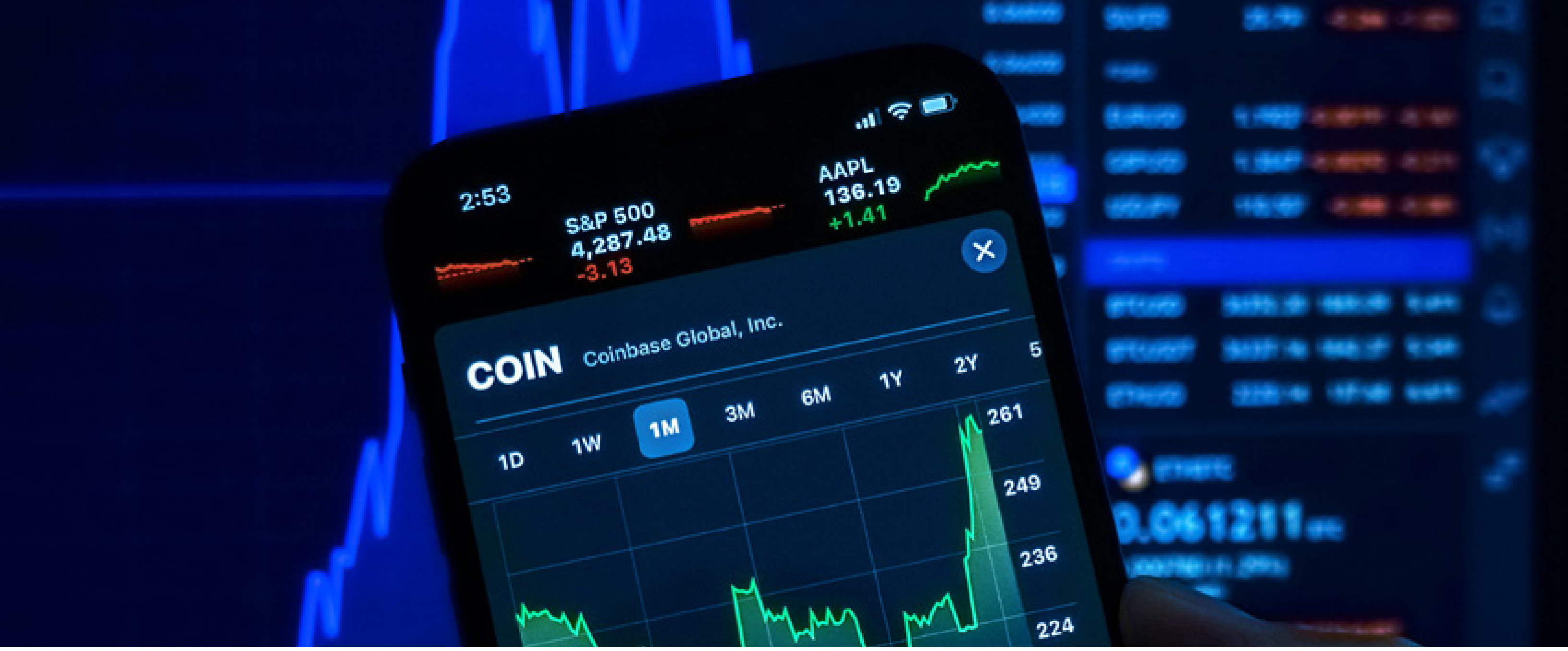
The employee retention credit (ERC) was created in March of 2020 with the passage of the CARES Act as an incentive for businesses to retain employees during the disruption caused by COVID-19. As laws were created, interpreted, and updated, BCS had a specialized team working to stay on top of the latest developments with the ERC.

Subsequent passages of legislation expanded the provisions of the ERC, making it easier to both qualify for and claim the credit. As a result, the BCS team claimed the ERC for our clients to the tune of over $10 million to date! While we take great pride in being able to assist our clients in claiming the ERC, we can't help but also imagine the impact that $10 million has had on our local economy. That is $10 million towards local business investment - supporting local jobs, which then support local families. Wow!

At BCS, two of our Core Values are Premier Service and Stewardship. We want to provide an exceptional level of service and to be good stewards of our time and talents for our clients and our community. Over the years, I have learned that we do more than just help individuals and businesses with their tax and accounting needs. If we can help our clients do better, our community does better. We all have a small part in keeping our community going.

We are thankful for the opportunity to do business in our local communities, and we will always put our time and talents toward helping our clients and communities be the best they can be.

If you would like more information on the employee retention credit, please don't hesitate to contact us! ◆



Cryptocurrency and Its Taxation

BY GARRETT EWERS

Unless you've been living under a rock for the last two years (and who could blame you in the midst of a global pandemic), you've probably heard something about either Bitcoin, Ethereum, non-fungible tokens (NFTs), or cryptocurrency in general. The rise of virtual currencies, both as an investment vehicle and as a mode of transacting business, has been meteoric. With that meteoric rise, however, has come increased pressure from the IRS for taxpayers to properly report their virtual currency transactions. BCS is here and ready to guide you through properly reporting your virtual currency transactions and to help you plan so that you can avoid large, unexpected tax bills as a result of these transactions.

We're not going to dive into the details of what cryptocurrencies actually ARE or WHY they hold so much value. There's enough material in that discussion to warrant a book. For our purposes today, the most important thing to remember is that cryptocurrency DOES hold value – Bitcoin peaked at over $60,000 per coin just a few months ago. And because it is a valuable market, it's important to understand the basics of how the IRS wants to tax it right now.

IRS GUIDANCE ON VIRTUAL CURRENCIES

So far, the IRS has released little guidance regarding the treatment of virtual currencies; in fact, the only authoritative guidance we have from the IRS comes from Notice 2014-21 (nearly 8 years ago). The most important point from this notice is that, for federal tax purposes, cryptocurrency is treated as property. This means that a gain or loss must be recognized each time there is an exchange of a cryptocurrency, whether that exchange is for cash, for goods or services being provided, or for another form of cryptocurrency. In each of these situations, a conversion to the fair market value of that cryptocurrency in US dollars (USD) must be made on the date of the transactions. This, as you can imagine, creates quite the recordkeeping problem for most taxpayers. The way these transactions are reported on your income tax return differs depending on the situation, as well. Virtual currency transactions can generate either ordinary income or capital gain income. We'll dive into each of these types of income, and we'll discuss which types of transactions are associated with each of them.

ORDINARY INCOME

The first type of income that might be generated from a virtual currency transaction is ordinary income. Ordinary income includes most of the income you're probably used to seeing – W-2 wages, interest income, and business income are some examples of this. Virtual currency transactions may generate ordinary income in one of two primary ways: a taxpayer earns income from working and is compensated in virtual currency rather than USD or a taxpayer mines a virtual currency.

In the first situation, whether you are paid in virtual currency as part of a W-2 employment arrangement or you receive payment for work done as a self-employed individual, the income is taxed at ordinary income tax rates and included in gross income. In order to compute your gross income, the FMV of the cryptocurrency must be determined on the date you are paid. You would include in gross income the value in USD of the cryptocurrency you receive.

In the second situation, cryptocurrency mining generates a reward (doled out in fractional interests of that cryptocurrency) to the owner of a set of computers that is used to solve complex mathematical problems and add new transactions to the blockchain. The rewards are taxed at ordinary income tax rates and included in gross income. Additionally, if the mining operation rises to the level of a business operation, the income may be subject to self-employment tax, as well. Of course, if it is a business activity, you would be eligible to deduct eligible business expenses against that income.

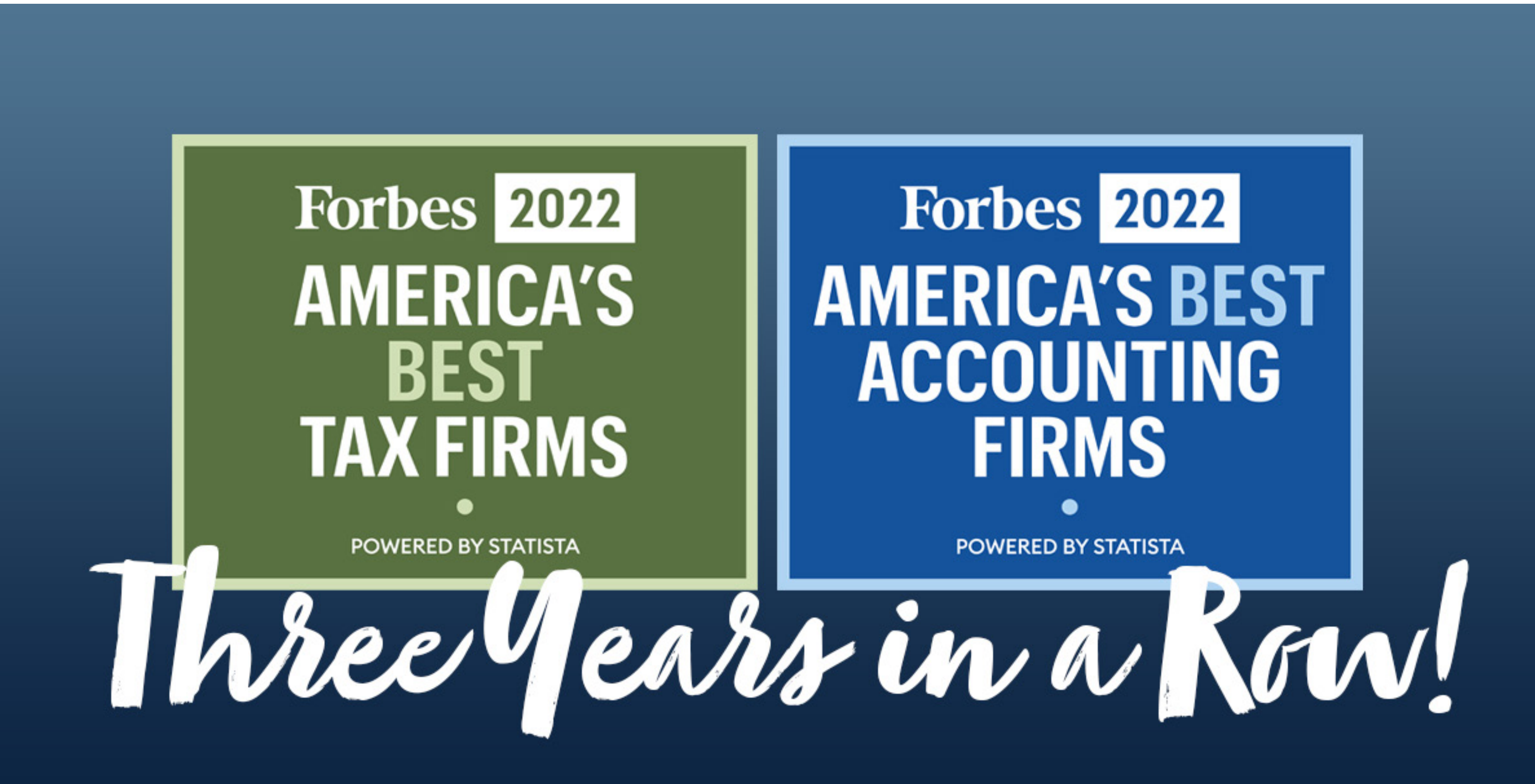
CAPITAL GAIN INCOME

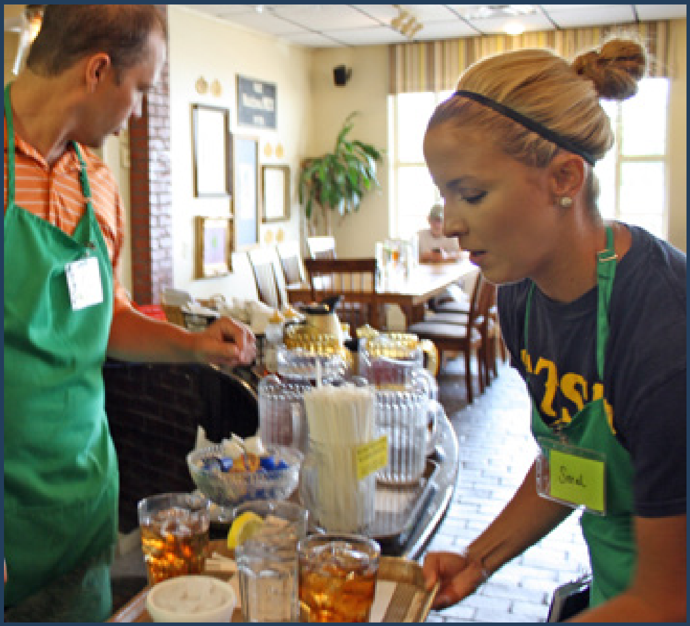
The second and most common type of income generated by virtual currency transactions is capital gain income. Once cryptocurrency is earned (or if it is simply purchased with USD), the IRS says that either the recognition of ordinary income or the purchase of the cryptocurrency creates your tax basis in the cryptocurrency. At that point, because the IRS considers cryptocurrency to be a property, any future income will likely be treated as capital in nature. Think of this like a situation in which you hold Apple stock for a couple of years before selling it. If you purchased it for $500 three years ago and sold it for $1,200 today, your capital gain would be $700 ($1,200 - $500).

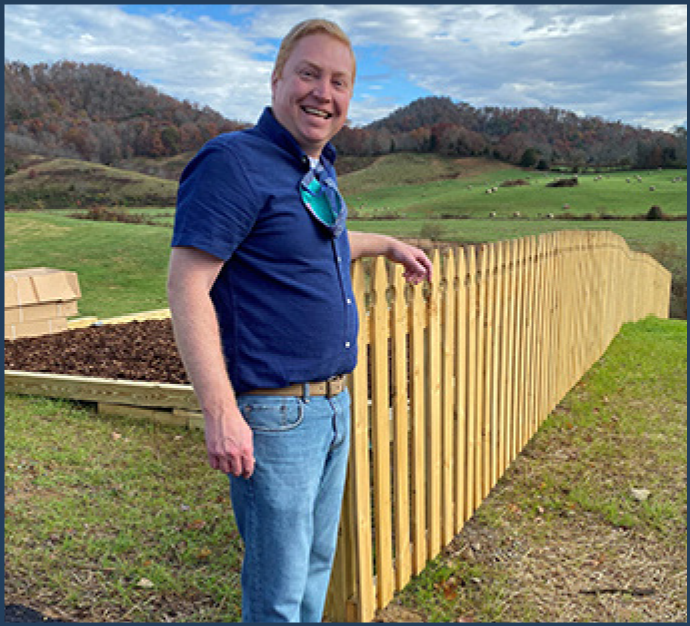
There are three primary types of virtual currency transactions which generate capital gain income: exchanging a cryptocurrency for cash, exchanging one form of cryptocurrency for another, and using cryptocurrency to pay for goods and services. In each situation, the taxation is the same. You as the taxpayer must determine three things: the cost basis (in USD) from the date of acquisition, the selling price (in USD) on the date of disposition, and the length of time you have owned the cryptocurrency. Whether you actually DO sell the cryptocurrency for cash or not, the IRS expects you to treat it as if that is in fact how you disposed of it.

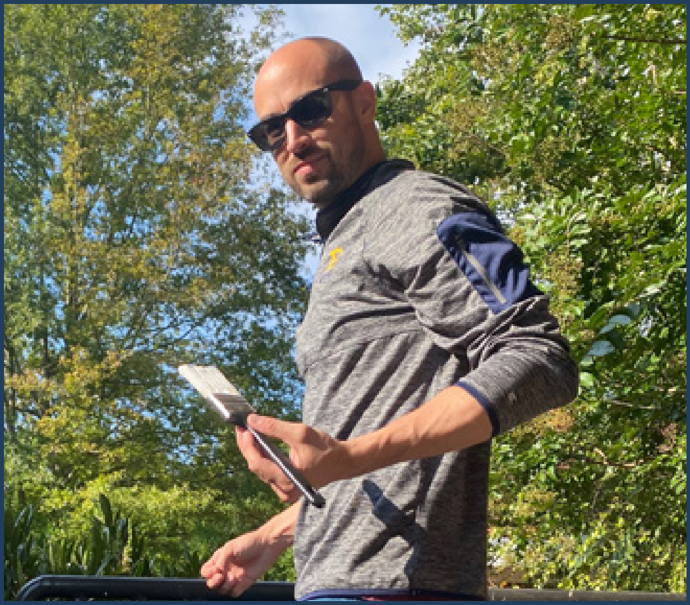
SUMMARY

In short, the taxation of cryptocurrency is only going to become more and more prevalent as we move forward, and we recognize the burdensome task of maintaining the records the IRS requires and accurately reporting the transactions you might engage in within this sphere. We are here and ready to guide you through all of your cryptocurrency tax questions. Reach out to me or your BCS contact with any questions that you might have, and happy tax season! ◆







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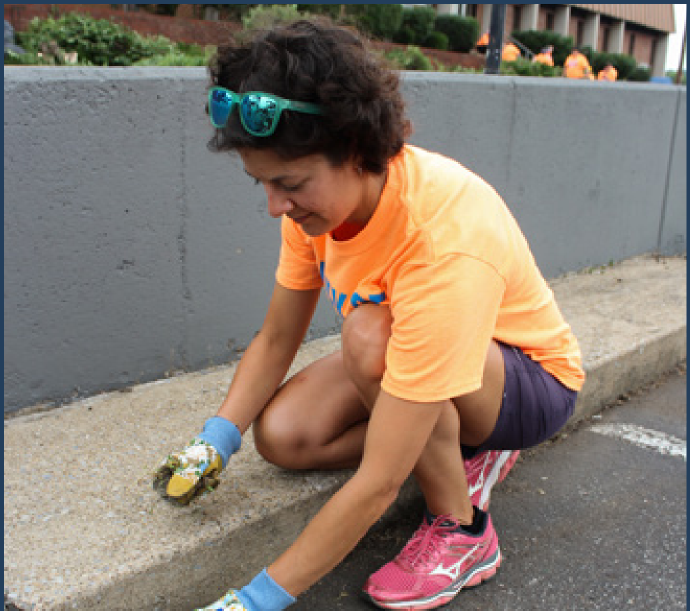

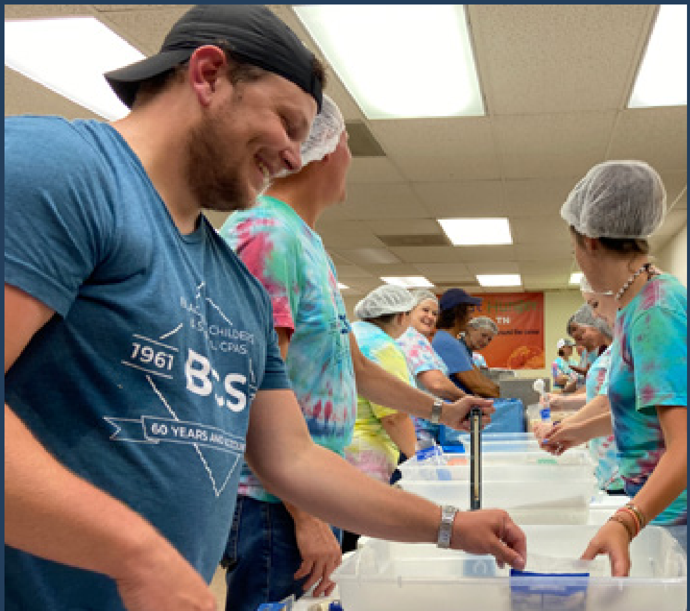

LEADING the way

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promoted to
PARTNER

TARA FENNER, CPA, CMFO
promoted to
SENIOR MANAGER

JAKE HUTCHISON, CPA
promoted to
SENIOR MANAGER

DAVID BABB, CPA
promoted to
SENIOR MANAGER

BRANDY BRADLEY, CPA
promoted to
SENIOR MANAGER

ANDY CLARK, CPA
promoted to
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Vol. XXVIII | No. 1 Spring 2022 |

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June M. Blackburn

FEB. 2, 2022