

The Biz Beat Podcast – Episode 10: 16B Passwords Leaked, Tax Bill Update, and Selling Your Home to Family

Lee: Hey everyone, and welcome back to The Biz Beat by SVA, the podcast that helps business owners stay sharp when it comes to taxes, business trends and smart strategies. I'm your host, as always, Lee Schwartz, Director of Business Development and Sales, and joined again, as always, by Eric Trost, Tax Principal and President here at SVA Certified Public Accountants. Eric, great to see you again.

Eric: Yeah, good to be back.

Lee: All right, we got a lot of stuff in the news, not all stuff that we're going to cover, thankfully. But for those of you who are listening or watching for the first time, every week, we break down a big issue in business or tax. We'll give you a quick update on the big tax legislation that is in Congress right now, and then we'll answer a question from our listener inbox.

16 Billion Passwords Leaked

Lee: So, let's jump right in. Eric, one of the big stories of the past week, outside of all the political stuff we don't want to get anywhere near, is a big data breach. 16 billion with a B, 16 billion passwords and usernames were compromised. We talk to business owners all the time about cybersecurity. Can you just give us an idea of what business owners should be thinking about right now, especially with some of these recent data breaches in the news?

Eric: Right. And from what I've been reading on that data breach, that's 16 billion just to put in perspective, for starters, that's about twice the population of the planet, right? So there's a lot of names and passwords that are out there listed. And my understanding is it's like a collection of data. So it wasn't just one place that was data breached. You know, sometimes when you see these, it's, well, this hospital got broken into and they got all these records, or this accounting firm got broken into, and they got all these records, you know, so I think the bad actors are targeting where they can get a lot of information with sensitive data that could be used for nefarious purposes.

Eric: This, though, is like a data set that's out there, almost as if someone was collecting and storing and logging all these names and passwords from whatever breach occurred. So, you've had someone very busy out there putting together a fairly comprehensive list of names and passwords and other data, and then, supposedly on the dark web. Who knows what they were doing with it, probably monetizing it in some way, shape or form, because I think that's what they usually do.

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Eric: So what that means is, it's an extraordinary amount of this data that's been collected, and with 16 billion, you know, the odds are pretty high that at least some of the listeners out there that are hearing me right now have their data that is breached, so essentially, have their data that could be out there. So when we talk to clients about this, what we talked about on the security side, aside from, you know, being safe at work and, you know, making sure your emails are legit and you're not falling for the phishing scams that are out there. So we also talk about financial protection, which includes insurance. So what kind of cybersecurity insurance do you have if you talk to your broker about that? And we also talk about there's routine maintenance for, say, passwords.

Eric: So even at our office here, every so often, we have passwords for the apps that we get into, we'll be prompted to change a password. Now, usually the prompt comes right when you're in the middle of doing something and you're in a rush, and then it says, Hey, without trying to change your password. So you swear at your computer and you go through the steps to change the password. It is inconvenient as it is, it's important because for this exact reason. And you may think, well, no one's going to steal my password. It's only been 60 days, but this whole list that's out there, however they collected it, you don't know right away if your password was stolen or not, and you don't know if it's on someone's list and who's going to get to it. But with the power of computing, eventually, if your name and your password is out there, I think eventually they're going to find out how to log into whatever system it is they have the names and the passwords for.

Lee: Yeah, I think you're right. And especially as you said with AI and things like that, with people using the same password for different sites, all of a sudden they can probably figure out what password you tend to use, which is going back to the annoying part. We've all been through it at the wrong time. It asks you to set a new password. You put a different one in. It says, Nope, can't use that one. You've already used it. You try it again. Same thing, right? And like, that's, it's human nature. We go back to some of the things we, um, we want, we wanted to use before, but we cannot stress enough.

Lee: Eric, talk a little bit about what happens if, you know, if you do go down, if you do get compromised, what have you seen with some of these companies, like, what? What are some of the impacts that you, that will happen if you are compromised?

Eric: Yeah, so I think the worst ones I've seen is when companies get held for ransom. And so what happens is they get locked out of their own system. Their data is locked up, and it's been by actors who did this fairly thoroughly. And what they do is they, in these cases, deleted some backups that

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would have otherwise been helpful. So they delete backups and then lock down the system and encrypt it, and say, in order to get out of this encryption, you have to pay a certain amount, and it's, it's probably some kind of E currency, like a Bitcoin or something like that, to a certain account, so you know, to be as untraceable as possible.

Eric: So what's the first thing you do? You're probably contacting your IT department, insurance company, and starting to go through what steps are going to be recommended now from your advisors to try to get out of this. It can be a long road, and it can be expensive, even with insurance, so you want to be protected and you want to take the precautions that your IT department is recommending.

Lee: Yeah, I think the other main takeaway, I think every business owner knows, hey, I should have this insurance, but we still see lots of businesses that don't, and it's like, you don't want to learn the hard way. We still see it happen from time to time, especially in a situation where you're being held ransom, like you want your insurance company to help negotiate that for you. It's not an easy thing to do as a business owner, to be negotiating with whoever it is that's coming at them, and they're smart, right? They know the number that makes sense. They want to get paid. So...

Eric: I think within your system, if they get in your system and they delete the backups, and they've taken the time, you know, you've probably been targeted, they've also been in your system to try to understand your financial situation, and you know, might do a ransom based on that. And don't be surprised that these folks are ruthless. You know, if you say, I've got x, they'll probably want x. So it's a fairly ruthless business, obviously criminal enterprise, and, you know, don't expect because it's not fair, and this will happen. It's not fair. But don't expect that somehow it gets made right if you're not properly covered, just because it's not fair, because I don't know how these criminals are caught, because they're usually not the United States based, they're based in other foreign countries where law enforcement just has limited reach.

Lee: Right. So just another reminder to you business owners, talk to your insurance company, talk to your broker, make sure you're covered. The last thing you want is for this to happen and find out that you're not. So, it's a great reminder that we hear these stories all the time, but 16 billion was kind of a jarring number.

Tax Bill Update

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Lee: Eric, last week, we talked all about the update of the Senate Bill. We compared it to the House bill, and some of the differences. Like I said, there's been a ton of political or, sorry, other information sort of out of the scope of business and tax in the last week, but there's been some movement on what's going on in the tax bill. Do you want to talk about what's changed since we recorded last week?

Eric: Yeah, so what's been happening is this bill is right now in the Senate. So as a recap, the House passed a version. The Senate has their version that they've created but not yet passed. The Senate expects to try to hold a vote for this starting Friday, so they want to get their bill passed by over the weekend. It's a pretty tall order, because there are still some compromises to be made. And of course, once the Senate passes their version, it still has to go to the House to get approved again before it goes to the President. The President has said he's putting a high priority on this. Still expects it by July 4, and has tweeted, actually, he Truth, remember, he does Truth Social, not so much Twitter, does Truth Social. He truth. No one goes on vacation until the bill is passed. Now, Lee, did you take like a governance class when you were in high school?

Lee: I did, but I've forgotten it all.

Eric: And I think it's required, right? You want to learn how the country works. That's part of, maybe the job of school to understand your governmental system. I have not read, I don't have any recollection of a rule where the President can tell you not to go on vacation to get something done like I don't think he's there direct boss. But, you know, I don't know, what does he have to threaten him? Is he going to lock him out of the Congress?

Lee: You know, we talked about, yeah, he talks loudly and carries a big stick. He's, he does have a big stick with his with his party.

Eric: Yeah. And so, right, he is, if well feared within the party, maybe respected, but certainly feared, so he's putting the pressure on to still get this done by July 4. I just don't see how it's possible, but we'll see what the Senate comes up with and it's going to be this weekend that they plan to vote. They, I don't know that they voted yet, because they still have to work out their own disagreements on their own bill, much less get it through the House, so there's still a pretty heavy lift to go.

Eric: Maybe this, things, though, can move that fast with the right pressure. It would be unprecedented, I think, to move a bill that quickly through, given the current disagreements on it. When it's an easy vote, you know, then it's okay. It can move through real easy. But this is a very

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controversial one, with just different parts in it, and so I don't know how they get it done that quickly without some, you know, massive backroom dealing that we'll never know about, I guess, until the book is written.

Lee: Right, exactly, all the books. Well, all right, thank you for that update. As you know, we will continue to bring you this information as it becomes available. We're staying on top of this, and certainly, once it looks like we have a good understanding of the legislation that will pass, we're going to do a much deeper dive in several different formats. So stay tuned for more.

Selling Your Home to Family

Lee: But let's open up the inbox. Eric, for everybody listening, you can send your questions in the future to bizbeat@sva.com or you can submit one online at our website, sva.com/bizbeat. So this, this week's question that came in was, I'm familiar with the gain exclusion for homes. If I sell my home to my son, does that still apply? What do you think Eric?

Eric: Yeah, right. And so what the question is referring to is that there is a gain exclusion of up to \$500,000 if you're married, \$250,000 if you're single, for your primary residence. So you sell your primary residence, something, a place that you've lived in two of the last five years, and you can exclude a certain amount of gain on that primary residence, the numbers I talked about before. And the question is referring to, well, what if I sell it to someone who's close to me? And so in this case, sell it to my son? Does this gain exclusion still apply? The answer is yes, it still applies. So you can sell your residence to a related party, which your son would be a related party, and still get the gain exclusion. There's some planning that's done around this from time to time, but there is, it's a good way to essentially shelter income from the government by having your gain exclusion on your house.

Lee: Eric, it's just occurring to me, as you say this, but if you were to say, buy a house for \$500,000 and let's say five years later, it's worth \$750,000, that's this \$250,000 gain. You sell it to your son, five years later it's worth \$1,000,000. Does he sell it back to you and now you continue to have that exclusion, or is there?

Eric: Yeah, you can do that. You know, I think as long as you're doing these sales for fair market value, then you can do that. So it can go back and forth that way. As long as it's fair market value, there's nothing that prevents that house from going back. You just have to meet the rules of the exclusion. So you have to live there two of the last five years. You can only use this exclusion every two years, so it's not something you can do on a daily basis, but that could happen.

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Lee: Interesting, okay, and that's great. I mean, especially as you look at the real estate market and how much people have in gains right now in their primary residence, this is definitely something to think about.

Eric: That's right.

Lee: Yeah, great. Thank you for that update. Great, great question and great answer. Thank you. So that wraps up this week's episode of The Biz Beat by SVA. If this was helpful, subscribe on Apple Podcasts, on Spotify, or on YouTube and share the show with a business owner that you think would find it valuable. You can also sign up to receive the updates@sva.com/bizbeat. You can submit your own questions there, and you can be entered into our Amazon gift card drawing for \$100 if you're one of the first 100 subscribers.

Lee: And remember the ideas that we talked about here are general in nature. Before you make a move, check with your CPA or your advisor to make sure it's right for you. And as always, if your CPA or your advisor doesn't work at SVA, let's fix that. You can reach out to me and we can talk about how to make you a client. Thanks again for listening, everybody. It's a great week, and we'll look forward to seeing you and talking to you next week on The Biz Beat by SVA.

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