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MARCH 5, 2021

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SOLARWINDS: LESSONS FOR THE FUTURE

The SolarWinds hack would have dominated news cycles not too long ago. Yet in early January, reports of a state-sponsored, supply chain cyberattack quietly rippled across a media landscape already enveloped in the tides of an omnipresent pandemic and a flavor of civil discord once thought inconceivable. Similar to the events responsible for its muted reception, the SolarWinds hack will test the resilience of basic assumptions underpinning laws, regulatory policies and the standard course of businesses.



JACK DUNN, ESQ.

It will be years before the dust fully settles, but there are encouraging signs that a number of cybersecurity principles are standing up well to the stress test. For instance, the fallout from the attack is reaffirming that the true measure of an organization's incident responsiveness is its ability to implement effective communication strategies designed to promote network visibility when technology inevitably fails. Although the attack reportedly

claimed 18,000 SolarWinds customers as victims, not a single organization's intrusion detection system caught the intrusion until it was too late.

A New York Times report noted that circumvention of these alarm systems allowed hackers to build backdoors into the affected networks. As a result, organizations are in the

unenviable position of deciding whether to rebuild their networks from scratch or spend valuable resources removing potential backdoors that could otherwise be exploited in the future. Without reasonable alternatives, organizations that previously implemented communication strategies that prioritize network visibility are better situated to cauterize the flow of associated costs because relevant stakeholders will know where to direct their focus along the organization's network.

Nevertheless, the sheer scale of the intrusion is among the few silver linings for many organizations seeking

to strengthen their cyber resiliency. Specifically, the scope of the attack will inform which practices strengthen the communicational health necessary for achieving greater network visibility. For example, a 2018 survey from the Ponemon Institute revealed that 34% of all respondents maintain a comprehensive inventory of third-party relationships while only 19% achieve network visibility through regular audits and assessments of third-party data handling practices. With such a large sample size, organizations will gain valuable insight into which metrics and committee compositions deliver effective oversight by lowering technical language barriers and promoting fluency across the various departments within an organization.

Further down the road, the total cost of rectifying the damage may reorient the way organizations and insurers minimize exposure to cyber liability. For instance, just months before the SolarWinds hack became public, news of a shareholder derivative lawsuit against LabCorp similarly struggled to make headlines. But the lawsuit will receive heightened

EDUCATION & EVENTS

Monday, March 8 • 3 – 4:30 p.m.

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attention in light of the present reckoning with SolarWinds. Namely, it is the first of its kind to charge executives with breaching their duties of care, loyalty and good faith for, "failing to ensure that its [. . .] business associates utilized proper cybersecurity safeguards." With current estimates placing the total cost of the attack at \$100 billion, organizations should track how courts and D&O insurers approach the future compensation structure of cyber incidents. ■

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2020 TAX FILING TIPS

With April 15 quickly approaching, here are some tax filing tips for your 2020 tax returns.

Home Office Deduction - Not Available to All

With COVID-19, most of us worked from home in 2020 and incurred costs to convert our homes into offices. Unfortunately, employees (taxpayers receiving W-2 wage income) are not eligible for the home office deduction. The deduction is only available for self-employed business owners.

For self-employed taxpayers, the home

office deduction is available if you can satisfy the following two requirements: (1) the portion of the home utilized for the office must be exclusively used for conducting business on a regular basis; and (2) the home office must be the principal place of business. IRS Tax Tip 2020-98 provides information on the home office deduction.

Charitable Contribution Expense Deduction

Charitable taxpayers may be able to claim a charitable contribution deduction for tax year 2020 that was previously not available. Under the old rule, only taxpayers that itemized

their tax deductions could take a charitable contribution deduction. For tax year 2020, taxpayers who do NOT itemize their deductions are also permitted to take a charitable deduction of up to \$300 for cash contributions made to a qualified charity.

What to Do If You Cannot Pay?

What should you do if you cannot full pay the tax due on your 2020 return? The best advice is to timely file your tax return and then work with the IRS to establish a payment plan on the balance due. Many taxpayers faced with the inability to fully pay their taxes consider delaying the filing of their tax return until they can. This decision adds insult to injury because the IRS automatically

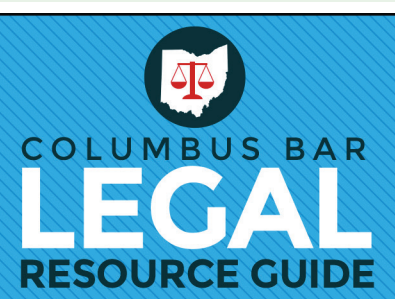


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imposes failure to timely file penalties, in addition to the late payment penalties that otherwise apply. The failure to pay penalty accrues at 0.5 percent per month and the failure to timely file penalty is 5 percent per month of the tax due. These penalties accrue monthly and cap out at approximately 50 percent. Taxpayers can save half of those penalties by just timely filing.

Late Filing/Pay Penalty Relief

If tax year 2020 is the first time you will file or pay your taxes late, you qualify for relief of these substantial delinquency penalties through the IRS's "First Time Penalty Abatement." To obtain this relief, you must call the IRS's collection division and request. ■



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