

JUL 20 2022

**BEFORE THE INVESTOR PROTECTION DIRECTOR
OF THE STATE OF DELAWARE**

THE RALPH V. ESTEP FIRM and :
RALPH V. ESTEP, : Investor Protection Matter No. 22-0044
: Respondents. :
:

SUMMARY ORDER TO CEASE AND DESIST

Based upon a preliminary investigation conducted by the staff of the Investor Protection Unit of the Delaware Department of Justice (the "Unit"), pursuant to Title 6, §73-601(c) and Rule 263 of the Rules Pursuant to the Delaware Securities Act, the Unit has determined that evidence exists to support the entry of this Summary Order to Cease and Desist.

Findings of Fact

1. The Ralph V. Estep Firm (the "Estep Firm"), which touts itself as an "Accounting Resource Center" on its firm letterhead, has two office locations in Delaware:

The Ralph V. Estep Firm
Wilmington Location
508 Main Street
Wilmington, DE 19804

The Ralph V. Estep Firm
Middletown Location
2110 S. Dupont Parkway
Middletown, DE 19709

2. The Estep Firm is owned by Ralph V. Estep ("Estep").
3. The Estep Firm is not currently registered as an investment adviser as required by §73-301 of the Delaware Securities Act (the "Act").

4. Estep is not currently registered as an investment adviser representative as required by §73-301 of the Act.
5. Despite not being registered, Estep appears to hold himself out as an investment adviser representative, and the Estep Firm as an investment adviser.
6. On or about December 27, 2021, the Estep Firm sent out a solicitation letter (the “Letter”). A true and correct copy of this letter is annexed hereto as Exhibit A.
7. The Letter was sent on Estep Firm letterhead, was signed by Estep, and contained the salutation “Greetings & Happy Holidays” rather than being addressed to a single person. The language in the Letter appears to be directed to existing, and possibly potential, clients of the Estep Firm. For example, the letter states, “Many of our clients have begun dropping-off their tax information and we will prepare your returns and call you when completed. Of course, if you have any questions or want to discuss something, we will call you during our preparation work.”
8. Although the Estep Firm is not a registered investment adviser, and Estep is not a registered investment adviser representative, in the Letter, Estep indicates the Respondents have been engaged in investment advisory business for years (for example, by stating “I have provided investment advice and managed client portfolios for years”).
9. This representation gives the impression that the advice that follows it is given by a properly registered investment professional. It is not.
10. In the letter, Estep also solicits prospective investment advisory clients to use Respondents’ investment advisory services and/or current clients to use new investment advisory services, for example, by stating “I would like to help you with your financial planning and investment needs.”

11. The Letter further advertises Estep's purported investment advisory skills by touting returns that are significantly higher than market returns, for example, by stating "[f]or the clients I manage their investment portfolios, at a minimum, they've earned 10% per year during my management; some earning as much as 20% to 30%."

Conclusions of Law

WHEREAS, Estep and the Estep Firm have violated the Act and /or are about to violate the Act, and appear to have engaged in conduct prohibited by the Act and the Rules promulgated thereunder as described below, forming the basis for issuance of this summary order to cease and desist pursuant to §73-601 of the Act and Rule 263;

WHEREAS, the Estep Firm appears to be acting as an investment adviser within the meaning of § 73-103(a)(10) of the Delaware Securities Act;

WHEREAS, the Estep Firm appears to have transacted business in Delaware since at least December 2021 as an investment adviser without being registered in willful violation of §73-301 of the Act;

WHEREAS, Estep appears to be acting as an investment adviser representative within the meaning of §73-103(a)(11) of the Delaware Securities Act;

WHEREAS, Estep appears to have transacted business in Delaware since at least December 2021 as an investment adviser representative of the Estep Firm without being registered in willful violation of § 73-301(c) of the Delaware Securities Act; and

WHEREAS, the Estep Firm has published, circulated or distributed the Letter as an advertisement, which does not comply with Rule 206(4)-1 under the Investment Advisers Act of 1940 in either its current or its prior form. Rule 206(4)-1 in both of its forms prohibits materially misleading advertisements. By distributing the Letter, the Estep Firm has engaged in a dishonest

and unethical practice in violation of § 73-304(a)(7) of the Act and Rule 709(a)(14) of the Rules Pursuant to the Act.

Order to Cease and Desist

WHEREAS, after due deliberation, the Unit finds that it is necessary and appropriate, in the public interest, for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Delaware Securities Act to issue the following Order:

NOW, THEREFORE, by the authority of §73-601(c) of the Delaware Securities Act and the Rules promulgated thereunder, IT IS ORDERED that:

Estep, the Estep Firm, and every successor, affiliate, control person, agent, servant, and employee of them, and every entity owned, operated, or indirectly or directly controlled or hereinafter organized by or on behalf of them, shall immediately CEASE and DESIST from engaging in acts and practices that violate the Delaware Securities Act.

Respondents must refrain from transacting business in the State of Delaware that would require registration under the Act.

Within twenty-five (25) days of receipt of written notification that this Order has been issued, Respondent(s) desiring to have this order vacated or modified may file a written request for a hearing on the matter with the Unit.

Upon receipt of such a written request for a hearing, the matter will be set down for a hearing to commence within fifteen (15) days after receipt of the request, unless the person making such a request consents to a later date.

If no hearing is requested, this Order shall remain in effect until modified or vacated by the Director.

FAILURE TO COMPLY WITH THIS ORDER MAY RESULT IN CRIMINAL PROSECUTION, INJUNCTIVE PROCEEDINGS, CIVIL CONTEMPT PROCEEDINGS (RESULTING IN THE ASSESSMENT OF CIVIL MONETARY PENALTIES) AND, SUBJECT TO THE RIGHT OF HEARING AFFORDED RESPONDENTS UNDER THE DELAWARE SECURITIES ACT, THE IMPOSITION OF ADMINISTRATIVE MONETARY ASSESSMENTS AND STATUTORY BARS.

SO ORDERED this 20th day of July, 2022.

BY ORDER OF THE DIRECTOR

A handwritten signature in black ink, appearing to read 'JLazar', written over a horizontal line.

Jillian Lazar
Investor Protection Director
State of Delaware

THE RALPH V. ESTEP FIRM

Professional Staff:

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MEMBERS

- * NATIONAL ASSOCIATION OF ACCOUNTANTS
- * NATIONAL ASSOCIATION OF ENROLLED AGENTS
- * MARYLAND SOCIETY OF ACCOUNTANTS
- * ACCREDITATION COUNCIL FOR ACCOUNTING & TAXATION

December 27, 2021

Greetings & Happy Holidays,

Fortunately, or unfortunately, depending on your perspective, it's time to start thinking about tax season. You should look at your personal tax situation. Regardless, if you make estimated tax payments or not. There are a lot of reasons you may need to pay more tax now before you file your returns. With Covid affecting so many in different ways, you may be liable for some extra tax. If you received Unemployment Benefits, even if you had taxes withheld, it may be enough. Generally, the tax rate on Unemployment is only 10%. If you have other household income, it's a strong possibility your tax withholding may be short.

I've heard from some clients they sold investment property or stocks, where no tax has been paid. The consequences of waiting until you file your tax return, might put you in a penalty situation. If you expect you may owe some additional tax, federal or State, you have until January 15th to get any estimate/s submitted.

Generally, my newsletters consist of tax law changes. However, 2021 was a quiet year, and we saw little change. I will get into some new tax matters later herein, but I want to deviate from my normal manner, and discuss some topics I feel are of great importance presently.

COVID, COVID, COVID,

If you're like me, I'm really tired of our "New Normal". When this will end is anyone's guess or will it ever. The reality is we must live with it, at least for now. In that regard, I want you to feel safe coming to our office. All my staff have received our vaccinations and the booster. However, some of our clients have not. It is my desire to accommodate all our clients' preferences. If you want a face-to-face meeting, we will be happy to meet with you. If you have any concerns, we have options that will satisfy your needs. Many of our clients have begun dropping-off their tax information and we will prepare your returns and call you when completed. Of course, if you have any questions or want to discuss something, we will call you during our preparation work. You can also fax your documents and we will call you upon receipt to make sure we have everything needed. Lastly, you can simply scan and email your information to me, and if we have any questions or you've noted something on the enclosed Organizer, we will give you a call.

When you come to our office, Peter will greet you wearing a mask. You do not need to wear your mask. However, if you've not been vaccinated, will you please let us know, and we will be happy to wear our mask during our meeting.



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- * ENROLLED AGENT TO REPRESENT TAXPAYERS BEFORE THE IRS
- * ACCREDITED BUSINESS ACCOUNTANT
- * ACCREDITED TAX ADVISOR
- * ACCREDITED TAX PROFESSIONAL

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Now, let's discuss other important topics in these "New Normal" times.

CASH IS TRASH

No, I'm not crazy. I simply want to bring to your attention where we are and things you need to know and consider. Although our economy is strong and unemployment is down, the Fed has announced they plan three rate increases in 2022. These are going to be only minor adjustments and they may be delayed depending on the rate of inflation. More importantly, the Fed increases will have little effect on the rate of interest you earn on checking and savings accounts. If you're holding more cash in bank accounts than you need, you might as well put your cash under your mattress. The reason I say, "Cash is Trash", is because you're much better off putting your money in the stock market where your return on investment will be much greater. I understand many people have a reluctance to buy and trade stocks, but such a reservation is truly unwarranted.

As you probably know, I have provided investment advice and managed client investment portfolios for years. For the clients I manage their investment portfolios, at a minimum, they've earned 10% per year during my management; some earning as much as 20% to 30%. Money in stocks remain very liquid, and if any money is needed for an emergency, you can pull cash within 24 hours or in some cases, same day. You know best how much cash you need to keep in reserves, but I suggest no more than a 30-day availability. If you can live on your regular income flow, you should have your excess cash in stocks.

Please understand, I'm not suggesting the latest and greatest "Go-Go" stocks, but good quality companies with a proven safety and track record, continued growth potential and a sustained history of dividend payments between 5% to 10% annually. That's probably more than 1,000% more than you are earning on your cash deposits. I would like to help you with your financial planning and investment needs.

Now, let's talk about bonds, albeit they government or industrial. Professional investors understand the inverted relationship between Bonds vs. Stocks. When stocks go up in value, the value of Bonds go down. We are still in a quasi-Bullish stock market, with a great future growth potential. The majority of good quality stocks have increased significantly in value since the start of Covid, by as much as 100%, 200% and in many cases as much as 300%. Although the present stock markets are erratic at times, the overall move is continuing upward. And that's going to continue. As supply chains improve and bring more products and goods to retailers and manufacturers, business will improve, prices are going to rise and stock values are going to increase.

We have experienced inflation this year at about 5% overall and significantly higher on some necessary consumer and grocery goods. The major suppliers of grocery goods have been raising prices for the past year and will continue to do so in 2022. As an example, Kraft Heinz foods have already announced they will be raising prices on their products, ranging from 10% to as much as 20%. I'm sure you've already noticed staples like meat, poultry, eggs, and milk have



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already risen by about 12%. Prices for just about everything are rising and you need to prepare for what's going to happen in 2022.

Cash savings and accumulations left to earn interest will most certainly not keep up with the inflationary costs of living. You need an edge to keep-up. Your financial equity will surely decline if you leave your life savings in Cash &/or Bonds. You need to recognize this most salient point and understand why I say "Cash is Trash" at this critical time.

VIRTUAL CURRENCY

Not a new topic, but one I addressed in my newsletter last year. My regard for such currency has not waived. I still see it as an imprudent investment. I may change my mind in the future when Virtual Currency becomes more mainstream, and the safety of such investment can provide a true foundational equity that can be seen & measured. The IRS believes as much as 20% to 30% of all Americans have traded in some type of crypto currency, and they are working diligently to capture such transactions and make them taxable. By the way, your personal income tax return asks the question if you've invested in any type of virtual currency, and you must sign your tax return "Under penalties of perjury" that the information you provide is "accurate and correct". We've asked that question of all our clients, and very few have stated they've had any activity at all. The IRS is coming after this crypto market and their determined to tax the income stream from all the virtual currencies. I ask you to please consider this question and let us know if you've had any activity this past year.

As it stands now, when you put your money in a virtual currency, you're gambling your investment is safe, that it will increase in value, and when you want your money back, will it be available. That is a question I cannot answer. What I can tell you is the US Dollar is safe and will continue to be so.

Now let's discuss what the IRS is doing to tax virtual currencies. When this phenomenon began, the majority of participants were criminals and others looking for ways to hide cash and avoid taxation. That has changed significantly in these past years and more people are investing in one or more of the many crypto currencies in hopes of great profits without any government intervention. That's coming to an end. Does the IRS have all the answers, no, but they're learning quick. Their aim is to tax this underground economy. Their methodology is quite unique. The IRS has imposed a requirement on the clearing houses to report all transactions and issue

#1099's. The IRS will get copies of the #1099's sent to you and therefore expect you to report the transaction/s. Here's where it gets complicated. Unlike investments through a Stock Brokerage House, when they report sales of stocks to you and the IRS, they show both the cost of the stock as well as what it was sold for. The difference is obviously gain or loss. However, when taxpayers get their #1099's for all virtual currency transactions, these will only show the amount of purchases. The IRS will then recognize this amount of crypto currency purchases as being all short-term capital gains and be taxable the same as all your other income. This makes it incumbent on the taxpayer to prove his cost of the crypto currency used. This circumstance is going to prove most difficult for taxpayers, as I know most taxpayers keep almost no records of their transactions. Let me give you an example:



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Let's say you put \$1,000 in one of the many crypto currencies. Then a week later you buy coffee and a donut on your way to work for \$3.00. Because of the #1099 requirements, the IRS will view this transaction as a \$3.00 capital gain. Now let's assume the value of your crypto account increased \$100.00 in one week before you made your coffee purchase. As you can see, you have a realized gain of 10% in one week. How this affects the purchase of that coffee for \$3.00, is since you use \$3.00 of virtual currency, which has gained 10% in value, the IRS says you made a purchase with a built-in gain of 10%. Therefore, you used only \$2.70 of crypto currency for a \$3.00 purchase, leaving you a capital gain of \$.30. Now you see the problem, not only will the IRS expect you to pay tax on the entire \$3.00 purchase, but your only way to reduce that taxable consequence, you'll have to maintain a meticulous set of accounting records to prove your have cost in your purchases. And more difficult yet, is you'll need to maintain a record of the market value of your virtual currency account on the day you make a purchase. If you use crypto on a daily basis, this is especially important because in the example I used, your investment account increased, but it could be down on the day you make a purchase, rendering a capital loss on the coffee and donut purchase. This entire arena is very confusing, complicated and it's going to be difficult to manage.

By the way, if you've been involved with Coin Base, they have agreed to provide client names, addresses, dates of birth, and phone numbers to the IRS, who have had any type of activity since 2013. I'm sure others will follow suit, and very soon.

Now let's enumerate some other tax matters germane to your 2021 tax returns:

CHARITABLE CONTRIBUTIONS:

If you don't itemize your deductions, you'll be able to take a \$600 charitable contribution from your gross income.

CHILD TAX CREDIT:

A \$3,000 credit will be available for children under age 18, and fully refundable if the child is under age 6.

DEPENDENT CARE CREDIT:

A 50% credit is available on daycare expenses up to \$ 8,000 for one child and a max of \$16,000 for two or more children. However, this credit is phased out starting at \$125,000 to fully phased out at \$443,000 of gross income.

IRA DISTRIBUTIONS:

The general rules remain the same, however, the penalty waiver for Covid distributions have been removed.



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BUSINESS MEALS:

Will now be deductible at a rate of 100%, however the rules for qualification are complicated and we'll need to discuss your circumstances when we meet to determine if you qualify for perhaps only a 50% deduction.

IRA/RMD DISTRIBUTIONS:

For taxpayers over age 72, you will have to take your Required Minimum Distribution for 2021. This was not required in 2020 due to Covid.

STIMULUS CHECKS:

If you received the \$1,400 stimulus payment in 2021, the IRS will send you a letter form. It is not taxable, but you should provide us said letter form #6475 so we can make sure not to include in your tax return.

ADVANCED CHILD TAX CREDIT PAYMENTS:

The IRS will be providing a letter/form #6419, detailing any payment your received. It is very important you provide us this letter so we can make certain you received everything you are entitled to.

TUITION DEDUCTION:

This expired in 2020 and is no longer a deduction from Adjusted Gross Income. However, the College Tuition tax credit is still available.

UNEMPLOYMENT COMPENSATION INCOME:

Last year, you did not have to include the first \$10,200 of benefits received. For 2021, all Unemployment benefits will be fully taxable.

LIKE KIND EXCHANGES:

The #1031 tax free exchange rules have been changed for 2021. Only investment real estate will qualify.

GIFTS:

You can make tax free gifts up to \$11.7 million without incurring a tax. However, if your gift is over \$15,000 per recipient, you will need to report the gift on a separate tax return.



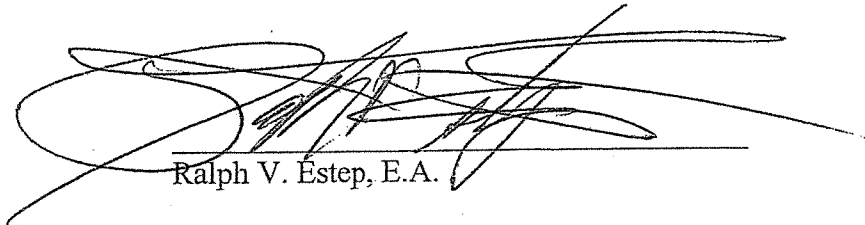
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I hope you've found the information provided herein to be helpful. If you have any questions or need further assistance before filing your tax returns, please give us a call.

In conclusion, your annual "Tax Organizer" is enclosed. Please do yourself a favor and complete this before we meet. It will help you organize your materials and help us make sure nothing is overlooked.

Best wishes for the New Year,



Ralph V. Estep, E.A.

