

The Future of AI Is Now. Is Tax Ready?

There will always come a time when the future becomes the present. Generative artificial intelligence (AI), once seen as a vision of tomorrow, has rapidly advanced to become an established part of the day-to-day operations for organizations in every industry. As its potential and capabilities continue growing, questions about AI's impact to traditional tax functions and the employees who perform them are only getting louder. Organizations that can answer those questions will position themselves to capitalize on AI's potential in both the short and long term.

Like any other emerging technology, the time to think about how AI will impact the future of business, including the tax function, is now. AI will turbocharge the capabilities of tax professionals, and it couldn't have come at a better time. Fewer and fewer students are pursuing degrees in accounting. Compounding this issue, more than 300,000 accountants left their jobs between 2019 and 2021, according to *The Wall Street Journal*. This has left tax departments stretched to capacity, with organizations in need of a way to meet an increasing volume of work with fewer people. AI can help meet that need by amplifying the capabilities of existing resources and functioning as a new resource to help address staffing shortages.

It's crucial to understand that AI isn't a plug-and-play solution, but rather a technology that relies on data that is high quality, organized, accurate, and meaningful. By integrating AI gradually and effectively implementing automation technology, organizations and tax professionals can benefit from:



Enhanced efficiency



Advanced data insights



Optimized operating models



Improved talent acquisition and retention



There is a great debate unfolding around whether AI will replace human headcount. The good news for Tax is that it is both highly technical and already stretched for capacity. Embracing AI means filling the headcount you wish you could budget for by extending the reach of existing resources.



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AI'S ROLE AS A SMART ASSISTANT

AI is not a replacement for the knowledge and skill of tax professionals; it's a supplement to the understanding and experience they already bring to their roles. Much like a calculator isn't a replacement for an accountant, AI isn't replacing tax professionals but is instead serving as a tool to augment the way they work.

AI within tax has a range of uses that can include checking documents for errors, identifying patterns of fraud, and highlighting regulatory noncompliance. But before it can perform any of those tasks, it requires the right data. For example, when provided with the same low-quality, unorganized data, a tax professional and an AI platform will both produce poor, ineffective outcomes. AI will just do it faster.

Conversely, with the right information to work from, AI offers a growing number of use cases within the tax function, including:



Creating reports
from raw data



Analyzing patterns
within datasets



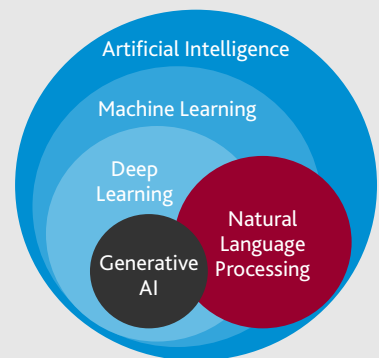
Generating summaries of
existing reports



Integrating with other technology
and automation platforms

AI consists of multiple technologies working together to mimic human thought and decision-making. Machine learning refers to computers "learning" as a person would to deliver more accurate results over time. Deep learning goes a step further, simulating a brain's neural network so AI can learn without human input. Natural language processing takes that ability and focuses on human language. Finally, generative AI brings together everything an AI platform has learned to output content, including audio, images, text, aggregated data, and more.

Even with advanced AI platforms becoming increasingly sophisticated, it's critical that the people working with them still validate the accuracy of information provided.



THE IMPACT ON TALENT

AI can also deliver a tangible impact to talent acquisition and retention. New technology requires new skill sets, and while existing tax professionals will work to build their proficiency with AI, the door is also open for new tax professionals who already possess knowledge of AI tools to establish themselves in an evolving role. AI can act as a learning assistant to new employees, helping them bridge knowledge gaps and get up to speed in their new positions. It can also assist tax professionals of all experience levels in gaining specialty tax knowledge, such as in areas of estate, partnership, international, etc. As organizations seek to update staffing models, the long-term benefit to tax departments will be a team of professionals able to perform their roles with greater proficiency built from a diverse array of skill sets and experience.

HOW TO BRING IN AI

Even with a sound strategy in place, integrating AI into established processes can present challenges to users and IT teams. Taking small steps by identifying innocuous applications of AI is one way to help offset some of those growing pains, providing an organization with a firsthand view of the technology's capabilities. It also lets tax professionals become comfortable with AI without becoming overwhelmed so they can adapt at their own pace. As an added benefit, IT teams responsible for AI rollout can address any issues that arise at a more even keel than if a full technology suite were rolled out at once.

AI within tax doesn't exist in isolation; it's part of a larger, enterprise-wide objective and strategic vision that requires high-level planning at the leadership, technology, and data levels — something that can only be achieved from the top down. Tax departments are well positioned to take a lead role in piloting these enterprise-wide AI standards. By gradually applying AI to small challenges and investing time to understand the technology, tax teams can set themselves — and their organizations — on a path to successful implementation.

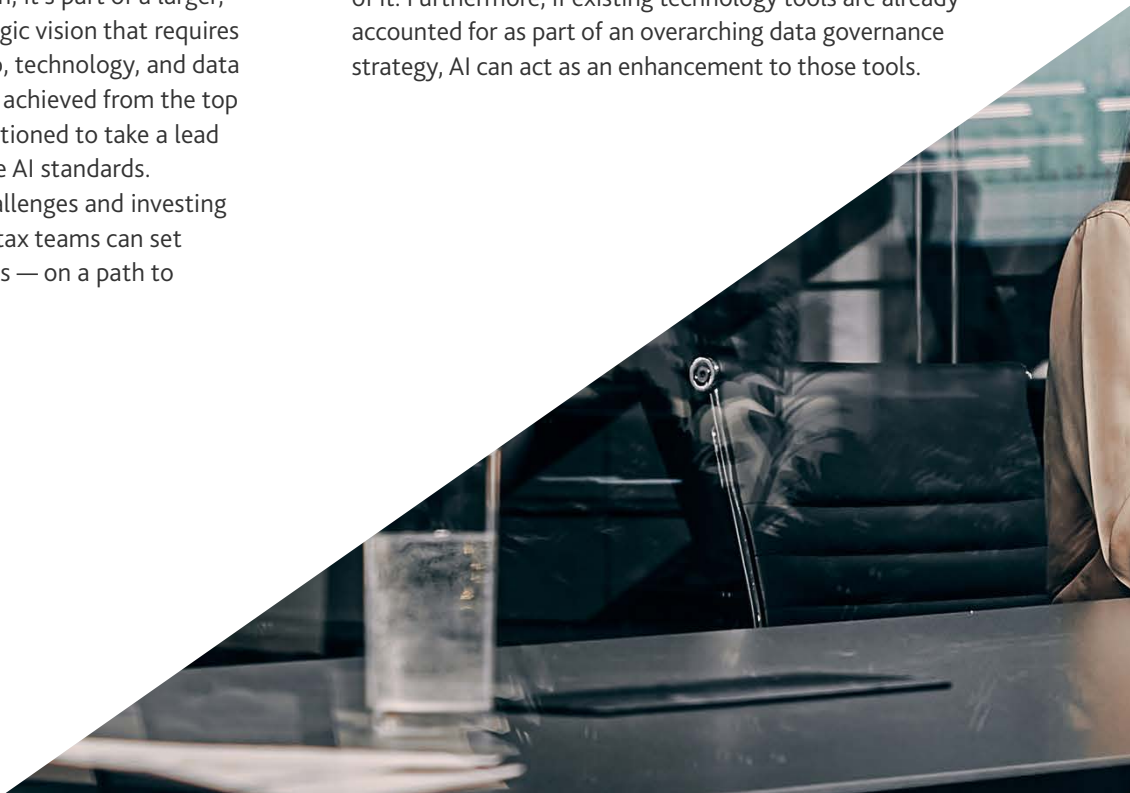
ASSESSING AI READINESS

To make the most of AI within tax, an organization must understand its [tax maturity level](#). Doing so helps paint a clear picture of where the organization stands and, subsequently, what it needs the new technology to deliver.

For instance, before bringing AI into the equation, an organization may determine that it requires a more detailed data-governance policy than the one it currently has — or it may recognize that it doesn't have one in place at all. In another instance, an assessment may reveal that data governance policies do exist, but there are shortcomings in data organization. Through that assessment, the organization may identify an opportunity to leverage automation to complete tasks with greater efficiency before bringing AI to the table.

It's important to note that automation and AI are not one and the same. Although AI often works with automated processes, automation is a system that exists by following and applying predefined rules, whereas AI can learn and mimic human decision-making based upon the data it's working with. Regardless of whether an organization is ready to begin AI implementation or is still at the automation stage, high-quality data is vital for generating accurate results and avoiding discrepancies caused by data bias.

Because AI doesn't function in a vacuum, it often works in tandem with, or is integrated into, existing technology an organization uses. By understanding what its current technology profile is, an organization can then place AI into its overall technology strategy and get the most out of it. Furthermore, if existing technology tools are already accounted for as part of an overarching data governance strategy, AI can act as an enhancement to those tools.



DATA SECURITY CONCERNS

Bringing AI into an organization requires another key consideration regarding data governance: security. By taking a holistic view of AI at an enterprise level, organizations and their IT teams have the chance to address potential data security concerns before they become major sticking points. Steady integration also makes it easier to show key stakeholders that AI is being introduced responsibly, with its overarching impact accounted for.

It's also important to establish processes that show transparency in decision-making when using AI. Developing those processes from the beginning can help make any audits or clarification of AI-driven results easier to explain and analyze.

WHAT THE FUTURE HOLDS FOR TAX AND AI

Generative AI isn't going away, and the sooner organizations and their tax departments begin implementing it, the faster they can reap its rewards. At a minimum, not incorporating AI is going to mean getting left behind by competitors who embrace its potential. But no one has to go it alone — a trusted advisor can help organizations understand where they have opportunities to leverage AI and avoid common pitfalls in its implementation, both now and as the technology's capabilities expand.

HOW BDO CAN HELP

BDO works with companies to design and document processes; extract, transform, and load source data; automate tax calculations; and streamline tax reporting. We provide a process and technology roadmap — paired with robust training and ongoing guidance — to help your team manage complexity and avoid adverse outcomes like noncompliance or missed tax benefits.

BDO Tax and BDO Digital work together to offer a comprehensive [suite of AI services](#) designed to assist organizations at every stage of their AI journey, providing end-to-end support for successful AI implementation and adoption. Whether organizations are just beginning to explore the possibilities of AI or are already leveraging it for business transformation, we provide tailored assistance and help them mature their AI adoption over time. [Request a free Tax Process Assessment to learn where to start.](#)



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