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TAX STRATEGIST

What Today's Tax Environment Means for Technology Companies

Key Tech Findings from the *2026 BDO Tax Strategist Survey*

Tax leaders in the technology sector have been navigating increasingly active enforcement and legislative environments in recent years.

Across the industry, uncertainty around OECD Pillar Two implementation and ongoing tariff volatility continues to add to global tax complexity. Domestically, state audit activity is spiking – and the One Big Beautiful Bill Act (OBBBA) is prompting companies to reassess the tax treatment of domestic research and development (R&D) expenditures and capital investment. The decisions tax leaders make this year could carry financial consequences for years to come.

This insight highlights data from the *2026 BDO Tax Strategist Survey*, which surveyed tax executives across the technology sector. It uncovers their top tax priorities, challenges, and how they plan to address key issues in 2026 and beyond. Read on to dive deeper into the top findings for the tech industry.

Read the full *2026 BDO Tax Strategist Survey* report to unlock insights across all industries.

Interested in a deeper dive into the data?

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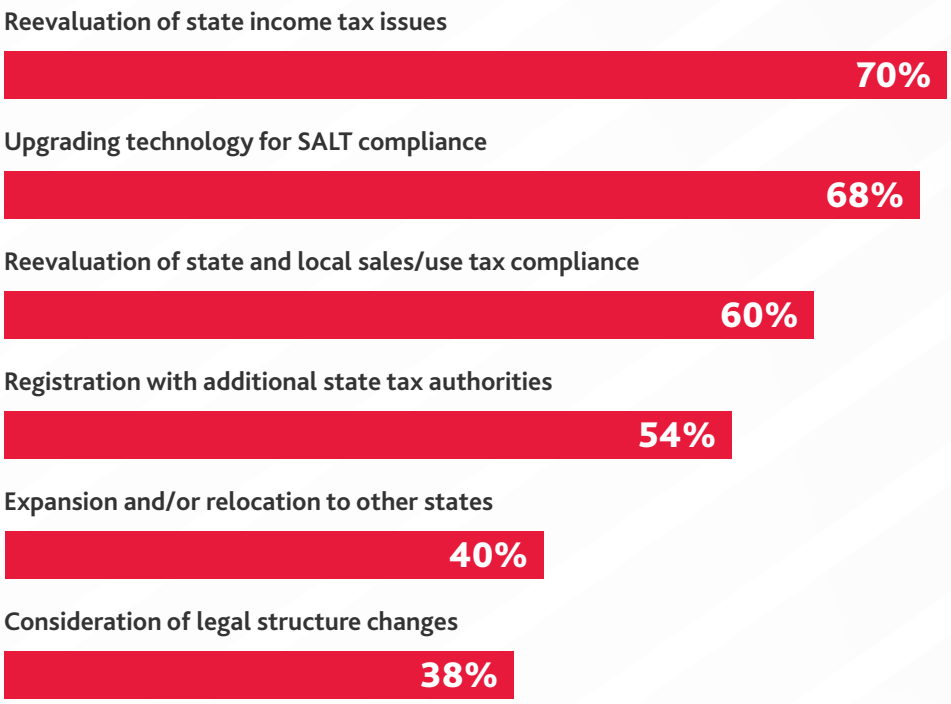
Key Finding #1: SALT and Indirect Tax Enforcement is Climbing — and Tech is Disproportionately Exposed

As a result of state and local tax (SALT) changes, which, if any, of the following actions has your organization taken in the last 12 months?



State and local income tax and indirect tax (state and non-U.S.) disputes are rising faster for technology firms than most other sectors. Among companies reporting audit or dispute activity, 54% faced a state and local income tax dispute, compared to 38% the year prior, and 57% faced an indirect tax dispute. Separately, 30% of tech leaders identify SALT income and franchise taxes as their largest non-federal tax liability, making it a cost burden as much as a compliance risk.

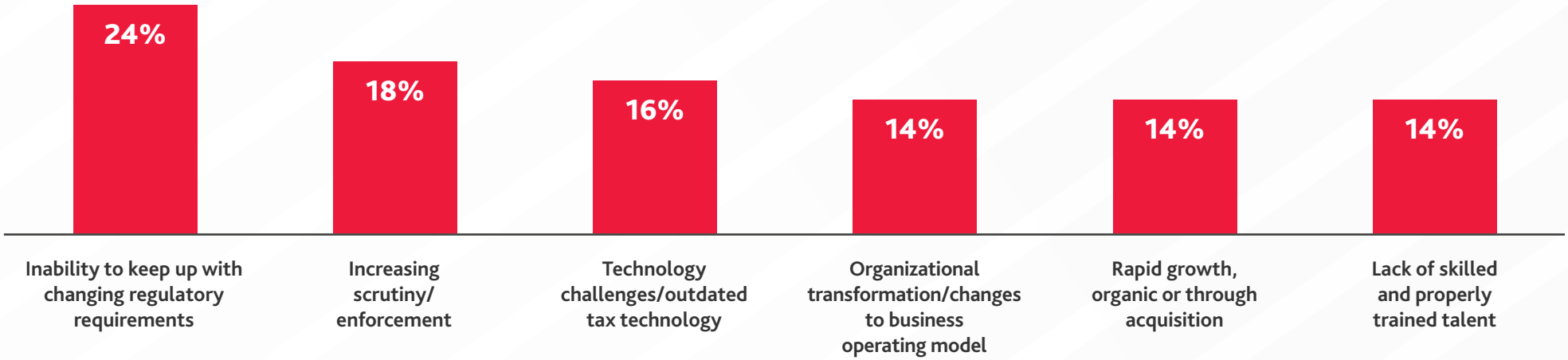
Much of this pressure is coming from the state level. Facing budget deficits, many jurisdictions are expanding their tax base — broadening the taxability of software-as-a-service (SaaS) and digital products and services in ways that create new exposure where none previously existed. The inherent complexity of tech business models, including multi-state operations, remote workforces, digital nexus, and subscription-based revenue, increases that exposure.

Importantly, audits are a lagging indicator of tax risk — enforcement today reflects tax decisions made roughly three years ago, which means many companies' compliance posture could be years behind without them knowing it. Indirect tax exposure in particular has tripled year-over-year, a signal that warrants immediate attention. Many firms are already responding, with 68% of tech firms already upgrading SALT compliance technology and 70% completing a formal state income tax reevaluation in the last year.

Fifty-six percent of tech companies surveyed **were involved in a tax dispute or audit in the last 12 months**, up from 42% in 2025.

Key Finding #2: Global Tax Complexity Keeps Growing

What do you expect to be the greatest source of tax risk in the next 12 months?



Nearly all tech firms are grappling with global tax challenges, but urgency is growing. The number of respondents who say the OECD's Pillar Two global minimum tax is a "significant" challenge jumped from 30% to 50% year-over-year, while tariffs also emerged as a growing concern, with nearly one-in-three tax leaders citing a recent dispute with a tariff or trade component.

The challenge for technology companies is less about the tariffs themselves and more about the persistent uncertainty that surrounds them as well as export controls. Ongoing court challenges have repeatedly altered the tariff framework mid-cycle. This rapid pace of change can make confident modeling more difficult for capital-intensive operations like semiconductor chips and data centers, which are contending with volatile material costs, while simultaneously navigating the accelerating phase-out of renewable energy credits — leaving them exposed on multiple fronts.

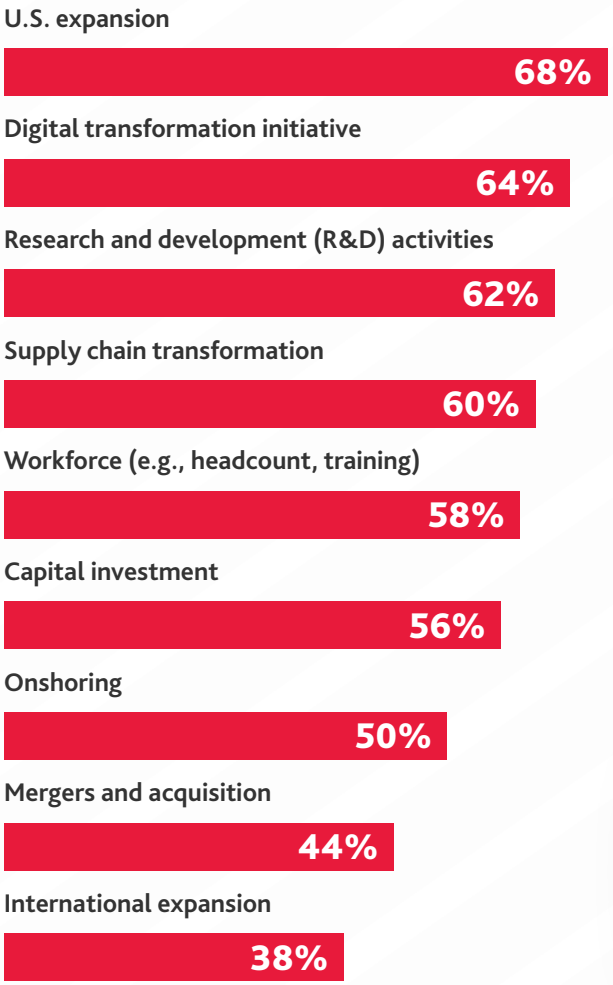
Pillar Two has also introduced challenges. Global companies are now required to model across international jurisdictions, and levers that companies have historically relied on, such as entity structuring, low-tax jurisdiction strategies, and incentive optimization, are more complex under a global minimum tax framework — though the U.S. side-by-side agreement offers some relief for U.S.-parented multinationals beginning in 2026. Many jurisdictions have also offered penalty relief for some initial Pillar Two filing deadlines, reflecting the challenges of first-cycle compliance.

For both tariffs and Pillar Two, the core challenge is a moving target. Every new policy shift has the potential to disrupt and reset planning regardless of the final outcome. For tech companies, this means modeling is becoming increasingly important, demanding dedicated tools and resources that many tax functions are still working toward. And as artificial intelligence (AI) investment accelerates across the sector, new layers of uncertainty are already emerging.

Twenty-four percent of respondents **flag the inability to keep pace with changing requirements as their single greatest tax risk** over the next 12 months.

Key Finding #3: Legislative Shifts are Creating Opportunities — for Companies That Understand the Rules

Based on U.S. federal tax policy changes made in the last 12 months, are you planning to increase investment in any of the following?



Broadly, the tech industry has experienced positive impacts from OBBBA. By restoring the immediate expensing of domestic research and experimental (R&E) costs, Section 174A reverses the Tax Cuts and Jobs Act's (TCJA) five-year amortization requirement, directly improving cash tax positions for many tech firms.

Federal tax policy is also driving increased investment across several areas — including R&D, digital transformation, and supply chain — and tech is leading the charge. Beyond direct investment, OBBBA is also unlocking new tax planning opportunities. Transferable credit participation has seen a notable jump, with 80% of tech respondents engaged or planning to engage. The transferable credit market has matured significantly in recent years, with the emergence of tax credit insurance, dedicated infrastructure, and a track record of completed transactions raising buyer confidence.

Even as certain Inflation Reduction Act (IRA) credits, such as those for solar energy, are set to phase out, the closing window is driving near-term participation as firms move to transact before it's too late.

Capturing the full benefit of OBBBA tax planning opportunities will require deliberate structuring and multi-year modeling. More broadly, tax policy is moving like a pendulum, with the potential for major policy swings every two years replacing the incremental changes that defined the pre-2018 landscape. In this environment, the most resilient strategies are those that deliver value regardless of which way policy swings. That means prioritizing work with immediate and durable benefits, like R&D credit studies, accounting method reviews, and stock-based compensation planning. For many organizations, executing consistently across all of these areas internally is a challenge, making outside guidance a worthwhile consideration.

Seventy-three percent of tech firms report that **OBBBA's domestic research and experimental expenditure deduction (174A) will have a significant or moderate impact on their business**.

Looking Ahead

The pace of change at every tax level has outpaced traditional planning cycles, and the window for reactive strategies is closing.

For technology tax leaders, survey data points to several areas that warrant action in the year ahead:

- **Prioritize SALT compliance infrastructure before an audit or deal demands it.** Tech firms should prioritize proactive infrastructure improvements — automated nexus monitoring, documented filing positions, and annual reevaluations — before they are necessitated. For companies with mergers and acquisitions (M&A) on the horizon, unresolved gaps around nexus, indirect tax, and filing posture are surfacing in diligence and directly impacting purchase price and post-close outcomes.
- **Treat Pillar Two modeling and tariff monitoring as ongoing functions, not one-time exercises.** Pillar Two scenario modeling across all jurisdictions is now more important than ever, and tariff monitoring should be embedded into tax and supply chain planning cycles. Dedicated tools and resources are increasingly important to keep pace with both.
- **Actively manage OBBBA provisions across a multi-year horizon.** Section 174A elections require active multi-year modeling, transferable credit opportunities should be evaluated while the market remains open, and documentation around all credits and incentives should stay current. Credit market sectors that are inactive today could become relevant again under a future policy shift.

Explore the full findings from the *2026 BDO Tax Strategist Survey*. ▶

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