

The background of the entire page is a photograph of three business professionals walking down a modern, brightly lit hallway. On the left is a wall made of large, light-colored concrete panels. On the right is a glass wall with vertical metal frames. The floor is made of large, light-colored tiles. In the foreground, two women are walking towards the camera. The woman on the left is wearing a beige blazer over a green shirt and matching beige trousers. The woman on the right is wearing a light blue blazer over a light blue shirt and matching light blue trousers, and she is holding a folder. In the background, a man in a dark suit is walking away from the camera.

Asset Management Tax Leaders Face a New Era of Tax Complexity

Key Findings from the 2026 *BDO Tax Strategist Survey*

Asset management firms are contending with tax complexity on every front.

The One Big Beautiful Bill Act (OBBBA) [introduces new strategic opportunities](#), but international tax pressures are mounting and state and local tax (SALT) audit activity is intensifying. For tax leaders, that focus brings both heightened scrutiny and a clear opportunity to demonstrate the function's strategic value.

This piece highlights key data and themes from BDO's latest survey, with insights specific to asset management tax executives.

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Key Finding #1: Firms Weigh Relocation and Entity Restructuring as State Tax Complexity and Audit Enforcement Intensify.

Nearly half (46%) of asset management tax leaders — more than any other industry surveyed — identify an inability to keep pace with changing regulatory requirements as their top source of tax risk over the next 12 months. Among asset management respondents, 84% expect their organization's total tax liability to increase over that same period. SALT audit activity is likely driving much of this concern.

Constant updates to state rules and regulations create a maze of complexities for managers, including state filing considerations, composite returns/elections, and withholding obligations. That exposure is now compounding due to newer changes — including [California's market-sourcing rules](#), which tax firms based on investor location. Firms nationwide must now reassess their California nexus, and continue to monitor their overall state footprint and filing obligations.

Many states are also [decoupling from select OBBBA provisions](#), creating a patchwork of requirements tied to different versions of the tax code. Certain state non-conformity with items such as Qualified Small Business Stock (QSBS) and business interest expensing is eroding after-tax returns, while OBBBA's SALT phasedown for high-income earners is directly affecting GP principals.

As a result of state and local tax changes, which, if any, of the following actions has your organization taken in the last 12 months/plan to take in the next 12 months?

ACTION	TAKEN IN THE PAST 12 MONTHS	PLANNED FOR THE NEXT 12 MONTHS
Upgrading technology for state and local tax compliance (e.g., rate monitoring, exemptions, filing, automated compliance)	58%	70%
Consideration of legal structure changes	32%	66%
Reevaluation of state income tax issues	72%	54%
Reevaluation of state and local sales and use tax compliance	62%	58%
Expansion and/or relocation to other states	28%	56%
Registration with additional state tax authorities	50%	66%

For many firms, maintaining a footprint in high-tax states is becoming structurally untenable. To ease these pressures, tax leaders are pulling two key levers: legal structure changes and location decisions. Sixty-six percent of asset management tax leaders plan to change their legal structure — up 24 points from last year — and 56% plan to expand or relocate, a 28-point jump year-over-year.

Strategic changes to entity structure and location can help reduce nexus exposure, lower audit risk, and more effectively manage apportionment obligations — creating a materially stronger tax position.

A significant majority (92%) of asset management respondents say **state tax audits present a slight or significant challenge** over the next 12 months.

Key Finding #2: Firms Turn to Outsourcing and Co-Sourcing to Scale Resources and Manage Global Complexity.

How would you characterize your staffing model in each of the following areas?

Audit support and representation



Non-U.S. income tax compliance



Payroll / employment tax



Tax credits / incentives



Indirect tax compliance / reporting



Tax technology implementation / optimization



Income tax provision calculation



State income tax return preparation



U.S. income tax return preparation



Transfer pricing



■ Sourced (Some, Mostly, or Fully) ■ Full in-house

Rising complexity and total tax liability growth are also prompting asset management tax leaders to rethink how their functions are resourced and where [external support](#) adds the most value.

An outsourced model gives tax departments access to deep technical knowledge and technology that could be cost-prohibitive to maintain in-house — while enabling faster scaling in response to shifting demands. An outsourced model can also shift costs otherwise borne by the investment manager to the funds that require the work.

Within asset management, firm size is a key determinant of outsourcing strategy. Smaller firms tend to have less global tax complexity, but are also more likely to treat tax as a cost center and to outsource broadly as a result.

Larger firms, with broader tax footprints and greater internal resources, may not need to outsource basic functions like income and payroll taxes; however, their international exposure is significantly higher, so they may turn to outside resources for access to [additional technical capabilities](#) that help with global complexity.

More than half (56%) of asset management tax leaders **expect to shift further toward outsourcing or co-sourcing over the next year** — the highest share among industries surveyed — and 48% cite **navigating complex regulatory and compliance requirements as their primary motivation.**

Key Finding #3: Firmwide Priorities Point to Where Tax Leaders Can Drive the Most Strategic Value.

How is the performance of the tax department measured?

Tax filing/compliance reporting timeliness and accuracy

68%

Accurate tax payment planning and liquidity management

68%

Effective tax rate

66%

Employee training and retention

44%

Successful tax ruling outcomes

38%

Corporate reputation related to tax transparency

36%

Investor pre-tax and/or after-tax cash return on investment

32%

Unresolved tax disputes

20%

Even as firms continue to outsource significant portions of their tax functions, in-house tax leaders remain accountable for driving value in several critical areas.

The first is effective tax rate (ETR) management. Two-thirds (66%) of asset management tax leaders report that their performance is measured against ETR. For asset managers, ETR is a direct drag on investor returns, because tax flows straight through to net internal rate of return (IRR). As institutional LPs place greater emphasis on after-tax performance as a benchmark, disciplined ETR management has become a front-line competitive differentiator. Tax leaders who can demonstrate measurable ETR stability make a compelling case for the function's strategic influence.

The second area is strategic transactions, where deal-stage structural decisions carry direct and lasting implications for after-tax proceeds, carry economics, and overall ETR. The growing variety of deal types in asset management — GP stake transactions, fund restructurings, continuation funds, co-investment vehicles — makes tax input essential, as each structure carries its own distinct requirements.

Tax leaders who bring deal-specific knowledge to every scenario can demonstrate the depth of judgment that elevates their function beyond generalist compliance.

Despite growing transaction complexity, nearly one in four (24%) of asset management respondents report that their **tax functions are only somewhat involved in strategic transactions, a notable gap.**

Looking Ahead

Asset management firms will continue to face tax scrutiny from more sources and in greater volume.

As complexity accelerates the shift to outsourced operating models, asset management tax leaders should take the following actions to prove their strategic value:

- ▶ **Conduct regular SALT exposure assessments:**
Nexus obligations and audit risks are moving targets. Consistent monitoring and proactive planning — not periodic reviews — are the baseline requirement.
- ▶ **Build a deliberate outsourcing strategy:**
As reliance on external advisors grows, the distinction between what stays in-house and what gets outsourced should be a strategic decision. Tax leaders who define clear boundaries, [vet providers against specific capability gaps](#), and retain oversight of high-judgment work will get more value from their outsourcing model and maintain their function's relevance.
- ▶ **Prioritize state-level ETR management:**
Depending on a firm's level of state tax exposure, SALT planning is often key for a tax leader's strategic agenda. Strategies like pass-through tax entity deductions can reduce overall tax liability and elevate the tax department's visibility firmwide.

To learn more about tax leaders' priorities in the year ahead, read *BDO's 2026 Tax Strategist Survey*. ▶



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