

Tax Leaders at PE-backed Portfolio Companies Pursue Growth Amid New Tax Complexity

Key Findings from the
2026 BDO Tax Strategist Survey



TAX STRATEGIST

How PE-backed portcos are navigating OBBBA tax changes, AI adoption, and incentives

As tax changes from the One Big Beautiful Bill Act (OBBBA) drive companies to reshuffle priorities, PE-backed portfolio companies (portcos) face one of the most complex tax environments in recent memory. Portcos are investing in new tax technologies to help keep pace, especially artificial intelligence (AI), though many remain in the early stages of technological transformation. Portcos are also treating tax credits and incentives with a new level of strategic importance, but they might still be leaving too many unclaimed.

The [2026 BDO Tax Strategist Survey](#) reveals how tax leaders across industries are responding to these and other pressures. Read on to explore key findings for portcos.

Interested in a deeper dive into the data?



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Key Finding #1: OBBBA Opens the Door to Both New Tax-saving Opportunities and Expanded Compliance Risks

Portcos that say the following OBBBA provisions will have a "significant" or "moderate" impact on their business.

Bonus depreciation (Section 168(k))

80%

State and local tax conformity

75%

Business interest deduction limitation (Section 163(j))

75%

Qualified production property expensing (Section 168(n))

69%

Deduction for domestic research and experimental expenditures (Section 174A)

68%

International tax provisions
(e.g., Net CFC Tested Income, Foreign-Derived Deduction-Eligible Income)

66%

Energy credit changes (various code sections)

63%

Qualified business income deductions (Section 199A)

58%

Tax leaders appear eager to take advantage of emerging tax opportunities, yet many are wary of new compliance requirements tied to OBBBA's changes.

Survey respondents at portcos rank bonus depreciation (80%), state and local tax (SALT) conformity (75%), and Section 163(j) business interest deduction changes (75%) as the most impactful OBBBA provisions. The nature of this impact is likely to be mixed. More than two-thirds (78%) say that the implementation of OBBBA tax provisions will be a slight or significant challenge for their organization and 36% say their biggest source of tax risk in the next 12 months will be an inability to keep up with changing regulatory requirements.

OBBBA's restoration of 100% bonus depreciation, for example, could unlock a new avenue for companies to improve cash flow. It could become a primary lever for PE sponsors to balance the weight of big upfront investments in their portcos.

Immediately deducting the cost of new assets would let sponsors unlock value more quickly, freeing up additional cash.

Depending on their tax function's size and resource levels, portcos may lack the documentation and reporting capabilities to take full advantage of bonus depreciation. Sponsors may need to offer additional capital or experience to support their portcos, for instance, by proactively [conducting cost segregation analyses](#) for new construction projects.

State decoupling from OBBBA is creating a patchwork of SALT compliance requirements on top of companies' existing tax obligations. Nearly half (44%) of survey respondents at portcos say state and local income and franchise taxes account for the largest portion of their organization's tax liabilities, excluding federal income taxes. If companies lack appropriate resources, this demand could monopolize bandwidth and hamper organizations' efforts to take advantage of OBBBA's federal tax changes.

Ninety-two percent of portco respondents cite **state tax audit activity as a challenge to their organization** in the next 12 months.

Key Finding #2: To Keep Up with Regulatory Changes, Portcos are Accelerating Tech Investments, with AI in the Spotlight

Is your portco deploying AI for any of the following?

Highlighting trends or patterns in data closer to real-time to improve reporting and planning

59%

Integrating with other technology and automation platforms

54%

Generating summaries of complex tax concepts or regulations for internal executive review

46%

Proactively identifying and reporting on potential areas of tax risk

44%

Automating tax compliance and reporting tasks

42%

Facilitating the ability to query the organization's data more directly across functions

39%

None of the above

7%

Nearly all (97%) portco respondents report plans to increase their investment in tax technology in the coming year. Seventy-one percent cite SALT compliance as the primary reason for doing so, underscoring the impact of current SALT challenges. AI is a central focus for these investments, yet the most commonly cited applications fall short of complete automation and may not be driving meaningful return on investment (ROI).

Pattern recognition (59%) and platform integration (54%) are leading AI tax use cases. While these functions can offer real efficiency gains through faster scenario modeling and a reduced need for manual lookups, their impacts may be marginal compared to that of full automation.

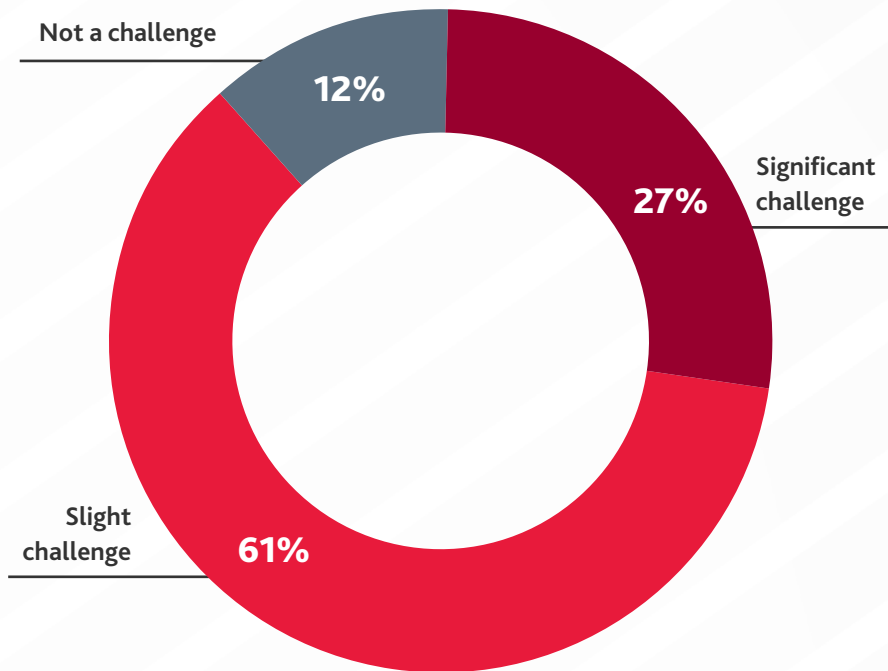
Automated tax compliance (42%) ranks among the least-cited use cases. Additionally, just 11% of portco respondents rated their organization's AI maturity level as "smart" or "cognitive," showcasing a lack of deeper AI maturity that could affect companies' exit prospects.

The market is already flooded with AI apps, not all of which will provide significant value. Potential buyers are becoming more savvy about identifying such cases. AI functionality that drives measurable tax savings calls for more upfront investment but will also help businesses differentiate their AI tax investment strategy from competitors in a crowded market.

Interoperability with legacy technology and processes was cited by portcos as the top reason tax technology initiatives underperform.

Key Finding #3: Portcos May Be Leaving Valuable Credit and Incentive Opportunities on the Table

How would you rate the level of challenge taking advantage of available business incentives/credits poses to your organization in the next 12 months?



The vast majority (88%) of tax executives at portcos say taking advantage of available tax credits and incentives presents a challenge over the next 12 months. Likely because of this challenge, tax credits and incentives are among the categories for which companies are most likely to rely on external advisors, with 88% outsourcing or co-sourcing this type of work.

For portcos, much of the challenge stems from murky short-term ROI calculations around credit and incentive opportunities. Because value creation plans typically include tight spending controls, a case for pursuing a given tax credit may need to clear a higher bar at a portco.

In other cases, portcos are likely unaware of what credits and incentives are available. Their tax departments may have a narrower, compliance-first focus and less of a pulse on the broader credit landscape, driving them to rely on external tax resources.

Regardless of the size of their tax departments, portcos need to demonstrate good financial stewardship to their sponsors, and identifying tax credit opportunities is a key part of that obligation. Especially for smaller teams, the right tax technology can help identify opportunities consistent with their industry and operations. PE sponsors also have a role to play, providing additional resources and knowledge where necessary.

Looking Ahead

Portcos are working hard to meet increasingly complex compliance demands while balancing growth goals and the need for faster technological innovation. Tax will play a critical role in those efforts. Companies and sponsors that empower tax departments to act as value creation agents, rather than cost centers, will have a structural advantage going forward.

Here are some steps both portcos and their sponsors can take in the year ahead:

- ▶ **Treat OBBBA-related compliance as a proxy for overall tax maturity:** Portco tax leaders should model how key OBBBA provisions and related compliance needs could affect tax planning and future deal structures. They will also need to determine what resources are needed to navigate the complexities introduced by state-level decoupling, leveraging repeatable processes and shared intelligence across portcos when applicable. Success will better position tax functions to handle future regulatory changes or capitalize on emerging opportunities.
- ▶ **Prioritize integration readiness before introducing new technologies, especially AI:** Portcos should target their technology investments to address specific pain points within their businesses, rather than chasing generalized but minor efficiency improvements. Sponsors can help by providing unified expectations for AI ROI, treating their portfolio like an innovation network and drawing on collective experiences to address challenges or set goals.
- ▶ **Align around credit and incentive priorities:** To help tax leaders best direct their resources, sponsors and portcos should align on a tax credit and incentive strategy, identifying the most valuable opportunities and scoping out the costs involved. Here again, sponsors can call upon their portfolio network to streamline this process, especially if multiple portcos elect credits — for instance, R&D expensing across several states — that have similar requirements.

Looking for more data-backed insights into this year's tax landscape? Read the *2026 BDO Tax Strategist Survey*. ▶



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