How Technology Can Help Healthcare Organizations Mitigate Key Tax Risks

Healthcare organizations face mounting tax complexity as a highly regulated industry that often operates across multiple jurisdictions. This challenge is intensified by constantly **evolving tax policies** at the federal, state, and local levels.

Tax technology is key to overcoming these challenges, as it can help organize and synthesize data from across the enterprise to improve efficiencies, navigate policy changes, maintain compliance, and scale with business growth.

Yet, the reality is that many organizations have not fully realized the opportunities technologies can provide. According to BDO's **2025 Tax Strategist Survey**, 22% of healthcare respondents expect tax technology challenges or outdated tax technology to be their greatest source of tax risk in the next 12 months.

As tax complexity continues to increase, the risk that outdated technology or lack of technology poses will only grow. Tax leaders can mitigate these concerns and stay ahead of new challenges by investing more in technology that supports the tax function not only with essential compliance duties but also strategic tax planning.

OVERCOMING COMPLIANCE CHALLENGES

Strategic deployment of technology can help organizations navigate several key tax challenges they face, including:

State and Local Tax (SALT) Disputes

According to our survey, nearly one-third of healthcare organizations (32%) were involved in a tax dispute in the last 12 months, and 18% were involved in a SALT dispute.

Healthcare organizations operating across multiple state and local tax jurisdictions may face significant SALT compliance complexity that can be difficult to manage. These organizations may be particularly exposed because they often operate multiple facilities and offer care delivery models like home care, lifestyle or longevity centers, and telehealth that serve populations across a wide geographic area.

Healthcare tax executives understand the urgency, with 54% of survey respondents reevaluating their state and local sales and use tax compliance, and 58% considering an upgrade to technology used for SALT processes. Investing in tools like **sales tax automation platforms** can help avoid disputes by helping to ensure accurate tax calculations and filings across jurisdictions and reduce errors that can trigger audits.

Fixed Asset Organization and Monitoring

Healthcare organizations maintain extensive portfolios of fixed assets that require precise tracking and management throughout their lifecycle. Fixed asset management software can help organizations apply correct tax classifications and manage complex depreciation schedules for specialized medical equipment. This technology can both streamline compliance and help maintain accurate records of the financial value and tax basis of businesses' diagnostic equipment and facility infrastructure.

Managing Net Operating Losses (NOLs)

Effectively tracking and managing U.S. federal and state NOLs helps preserve and support key deferred tax assets, reduce cash tax leakage to improve cash flow, and prepare organizations for future audits. By implementing a unified framework for modeling various financial outcomes and tax implications, organizations can increase the value of their NOLs and strengthen their overall tax position.

Tax management software with automated NOL management capabilities centralizes NOL records, streamlining the tracking and reporting of NOL expiration timelines. These systems are designed to account for state-specific NOLs — a critical function for healthcare organizations operating across multiple jurisdictions, where each state may have unique tax rules, carryforward periods, and utilization limitations that can significantly impact tax planning and financial outcomes.

The Tax Cuts and Jobs Act (TCJA) of 2017 made significant revisions to NOL rules for most businesses (which remain unchanged under the recently passed **reconciliation tax bill**), generally eliminating carrybacks and allowing indefinite carryforwards subject to an 80% taxable income limitation. However, property and casualty (P&C) insurance companies were specifically exempted from these changes and allowed to retain the treatment for pre-TCJA NOLs — generally a two-year carryback and a 20-year carryforward with no taxable income limitation.

As a result, healthcare groups with a mix of pre-TCJA NOLs, post-TCJA NOLs, and P&C NOLs face a complex landscape of carryforward, carryback, and utilization limitations. Tax management software with automated NOL management can streamline the tracking and application of these unique rules, helping to ensure accurate and efficient utilization of available NOLs.

Complex K-1 Processing

Healthcare organizations structured as partnerships often manage multiple K-1 forms that report each partner's proportional share of the partnership's financial activity. Supporting information for each K-1 reporting line comes in a variety of formats, and healthcare partnerships often must consolidate information from multiple practice locations, service lines, and revenue streams. With so much data to manage, many struggle to maintain accuracy across forms. Partnership tax software can automate data extraction and streamline the process of managing K-1 forms, allowing for faster tax return filing.

Importantly, NOL tracking may be further enhanced with the conclusions reached regarding actual and potential limitations under Internal Revenue Code Sections 382, 384, separate return limitation year (SRLY) rules, and similar provisions. By integrating these complex limitation analyses into the NOL management process, organizations gain real-time insight into their utilizable tax attributes and net present value of available tax shields. This enables proactive tax planning and provides a clear, up-to-date view of the organization's tax position and valuable tax assets.

OBSTACLES TO ADOPTING TAX TECHNOLOGY

Healthcare organizations can use tax data to inform financial planning, resource allocation, regulatory compliance and risk management efforts — if they are able to understand it. Organizations' data inventories are vast, so cleanliness, standardization, and accuracy are critical.

One in four healthcare organizations (26%) indicate that tax technology underperforms because they implement technology before data management processes are in place. Other top reasons for underperformance include interoperability issues with legacy technology and processes (22%) and a lack of strategic priority for the tax function (20%).

Many tax leaders are turning to artificial intelligence (AI) to query their tax data. Our research finds just over half of tax teams within healthcare organizations (52%) are deploying AI to help make cross-functional data inquiries. While AI has significant potential, it relies on robust governance infrastructure and data management strategies to generate actionable and trustworthy insights.

Creating these systems requires upfront investment and strategic prioritization, and some healthcare organizations may not have the financial resources necessary to begin. Healthcare can overcome these financial barriers by implementing AI in phased approaches, spreading costs over time while reducing risk. Those exploring AI may choose to start with a single use case or a single department before gradually expanding until they achieve full implementation across the organization.

26%

Implementing technology before data management processes are in place

22%

Interoperability with legacy technology and processes

20%

Tax technology is not a strategic priority or key component of our vision

14%

Lack of employee buy-in or pushback

12%

Underinvestment/under-prioritization

6%

Lack of skills or insufficient training

With tax in the spotlight this year due to significant policy changes, tax leaders have an opportunity to demonstrate their teams' strategic value, secure more technology investment, and elevate their influence. By showcasing concrete examples of how tax technology can help mitigate risk and achieve savings, leaders can make a compelling business case for increased funding.

For organizations looking to improve their data foundation to support new tax technology tools, BDO can help. Our professionals can work alongside your team to implement technology that meets your needs, transforming raw data into meaningful reports that provide actionable insights for tax forecasting and planning. We can help train and upskill your team members to take full advantage of new technology, ultimately giving your organization more time and greater flexibility to pursue strategic priorities.

Interested in learning how technology can help support your organization's tax function? Contact us. ▶