



2026 **BDO Tax Strategist Survey**

From Influence to Impact: Tax Leaders Navigate a New Era of Change



Table of Contents

03 / EXECUTIVE SUMMARY

05 / STATE OF TAX LEADERSHIP

10 / GETTING TAX INTO THE DEAL ROOM EARLIER

14 / TAX POLICY: VOLATILITY ON EVERY FRONT

23 / RISK IS EVOLVING RAPIDLY, CHALLENGING
THE TAX FUNCTION TO KEEP UP

29 / COMPLIANCE DRIVES THE OPERATING MODEL

34 / MORE TOOLS, SAME FRAGMENTED INFRASTRUCTURE

39 / POSITIONING TAX FOR WHAT COMES NEXT

41 / RESPONDENT PROFILE



Executive Summary

As major U.S. policy changes, tariff volatility, and global tax complexity create new demands on the C-suite, tax leaders are earning a seat at the decision-making table.

The 2026 BDO Tax Strategist Survey shows that the tax leader role has established influence and demonstrated its strategic value beyond a single period of disruption.

But the latest data also shows that the tax function's influence is now concentrated in key areas of business strategy, rather than spread across the enterprise. Gaps in cross-functional collaboration — particularly with legal, IT, and operations — can create risk exposure for the organization. An increasingly complex state and local tax landscape, ongoing tariff uncertainty, and a patchwork of new global compliance requirements contribute to ongoing volatility, further amplifying tax risk.

To navigate uncertainty, tax leaders must embed a [total tax approach](#) across the enterprise, with visibility into and influence over the full ecosystem of tax liability, risk, and opportunity across every major business decision. Organizations must move away from a model whereby the tax function's influence depends solely on hands-on involvement and progress to a model whereby the right data, systems, and stakeholder relationships embed a total tax mindset across the organization.

A resilient and agile tax function that can flex to meet new complexity without straining capacity will create durable enterprise impact — not merely provide ad hoc input. This requires the right mix of talent, technology, and external support. Tax needs an operating model built for what's next, with clear roles, defined processes, and the capacity to respond without relying on the direct involvement of senior tax leaders in every decision.

To build a proactive, [strategic tax function](#), tax also needs to leverage technology for greater efficiency and better insights. Organizations must invest in the tools, integrations, and data infrastructure to give tax — and the broader enterprise — real visibility into tax liability, risk, and opportunity.

However, operating models and technology deliver value only when the appropriate roles and skills are in place. Tax teams should focus on the development of internal talent who can collaborate across functions and external support to fill gaps and provide technical guidance in an ever-evolving landscape.

“

Tax leaders have proven that they belong in the rooms where enterprise decisions are made. Now, the question will be whether they can sustain that influence. This means mandating a total tax approach that embeds tax technology and processes across functions and building operating models that are positioned for what's next.



MATHEW DEMONG
National Managing Principal of Tax

Highlights from the 2026 BDO Tax Strategist Survey

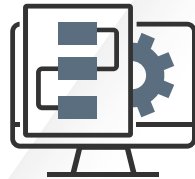


The **#1** source of tax risk in the next 12 months will be the inability to keep up with changing regulatory requirements



92%

of tax leaders at multinational enterprises say global tax complexity has substantially increased in the past two years



Aside from preparing for potential tax policy changes, the **top goal** for tax functions in the next 12 months is to **leverage technology for greater efficiencies and better insights**

METHODOLOGY

The 2026 BDO Tax Strategist Survey polled 300 senior tax leaders at companies with annual revenues ranging from \$250 million to \$3 billion.¹ The survey was conducted in February and March 2026 by Rabin Roberts Research, an independent market research firm. All respondents in this survey indicated they oversee and are heavily involved in day-to-day tax operations at their organizations.

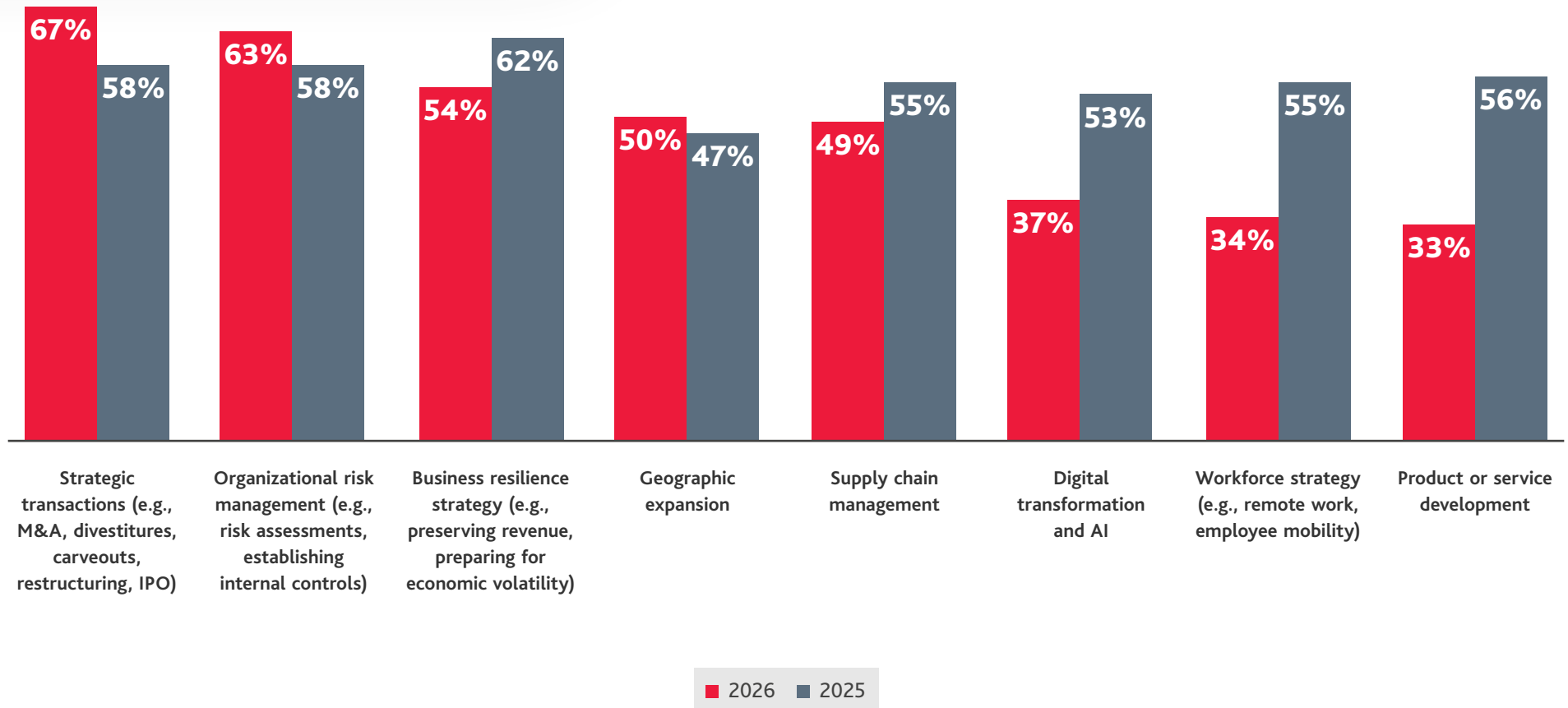
¹ For asset management companies, size ranged from \$250 million to \$5 billion in assets under management.



State of Tax Leadership

Today, 94% of tax leaders surveyed say they are invited to weigh in before key business decisions are made, and that their recommendations carry significant weight, up from 90% in 2025. **It is clear that tax leaders are trusted advisors within their enterprises; however, they are increasingly focused on a handful of high-stakes issues rather than being involved in decisions across the enterprise.**

Strategic Discussions in Which Tax is Very Involved





This concentration is particularly evident in areas where timing is critical; tax leaders report a 9-percentage-point increase in their involvement in strategic transactions such as M&A, and a 5-percentage-point increase in involvement in conversations about organizational risk management. The shift in focus reflects a growing recognition that tax risk — such as transparency and reputation concerns, audits, and noncompliance — is enterprise risk, not simply a finance function issue.

As tax leaders gain influence in these areas, their involvement in other important cross-functional conversations has declined. Participation in discussions around business resilience, including preserving revenue and preparing for economic volatility, decreased by 8 percentage points. Involvement in digital transformation and AI initiatives has dropped by 16 percentage points, while participation in workforce strategy has declined by 21 percentage points. The most significant drop appears in product and service development, where tax involvement is down by 23 percentage points.

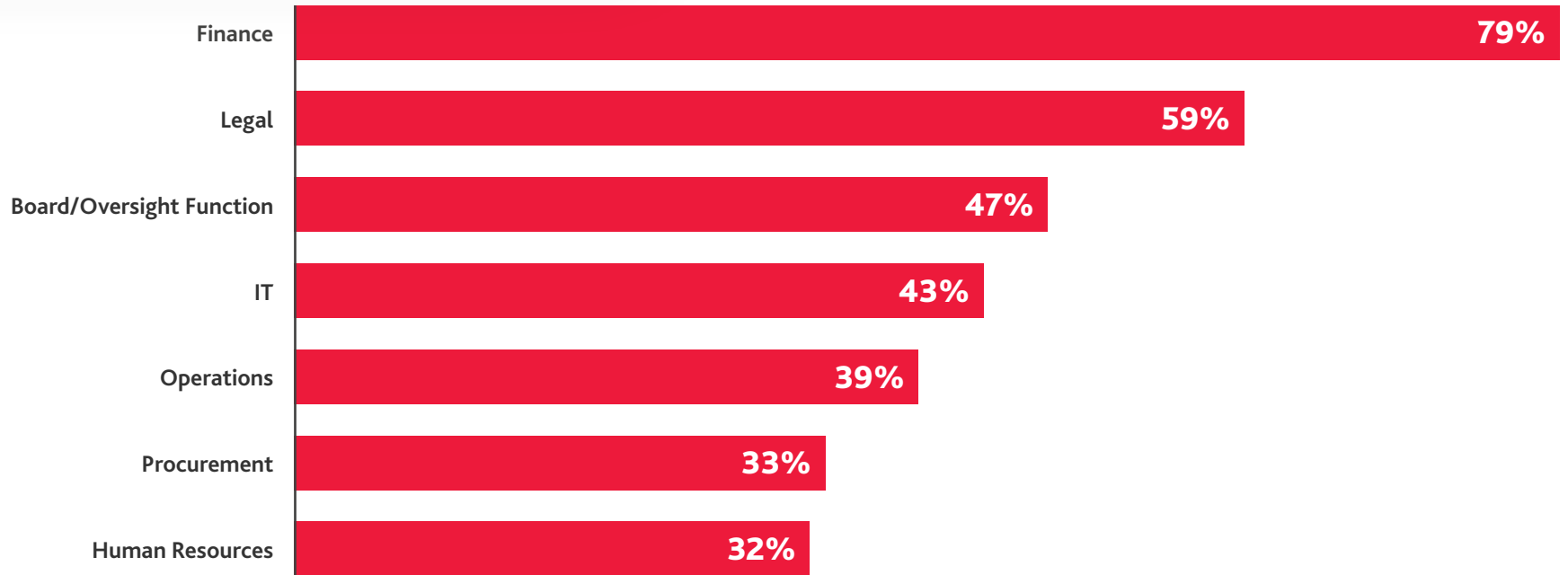
These shifts matter because early tax engagement helps organizations identify planning opportunities and address potential tax exposures sooner, while options are still available and changes are generally more feasible to implement, especially in business resilience, digital transformation, and workforce strategy decisions.

But this pattern does not necessarily indicate that tax's overall influence is declining. It may instead reflect that tax leaders are being pulled toward mission-critical areas where their direct attention is most urgently required, particularly in organizations with limited tax resources or smaller tax teams. **When priorities tighten, tax leaders may have little choice but to turn their attention to the organization's most impactful strategic needs.**

At the same time, overly concentrated influence carries risk. When tax is not consistently involved across a broad set of business decisions, leaders may lose visibility into initiatives with important tax implications, which can in turn expose the organization to greater tax risk.

Tax influence can also become dependent on leaders being engaged on a case-by-case basis, for example, by being invited to a meeting or asked to weigh in on a specific decision. When tax's role in strategic conversations is not institutionalized, tax may not be included where needed. There's also the risk that tax influence may become crisis- or issue-driven: strong where relationships are established or urgency is clear but limited where relationships are weaker or tax implications are less evident.

Where Tax Leaders Are Highly Collaborative With Other Functions



Collaboration patterns across enterprises reinforce the need for tax processes and controls to become more embedded in other functions. CFOs and tax teams are highly collaborative, reflecting the longstanding connection between finance and tax. **Yet there is a meaningful opportunity to strengthen tax's collaboration with other parts of the business.**

The relationship between tax and IT illustrates this challenge. Tax technology investment is rising, with 79% of organizations expecting to increase investment over the next 12 months, up from 67% last year, as organizations' appetite for AI and other digital tools grows. However, only 43% of tax leaders say they are highly collaborative with their IT counterparts, a significant challenge given that tax is one of the largest consumers of data within an organization. When not closely involved in technology transformations, tax can struggle with data governance and interoperability issues, resulting in fragmented data, unreliable outputs, and a reduced ability to deliver the real-time insights and strategic analysis the business increasingly expects from tax.

This collaboration gap is not limited to tax and IT. In some organizations, operational and procurement decisions may be handled without tax's involvement. When tax, operations, and procurement are not working together, tax can lack early visibility into tariff-related decisions, which can limit tax's ability to proactively manage tariff strategy and potentially expose the organization to unnecessary risk. A low level of collaboration with tax is observable across other business functions and can create similar risk exposure or missed opportunities across the business.

Recommendations



- ▶ **Tax leaders should focus on building infrastructure for influence, not just relationships.** This includes establishing stronger data flows, shared dashboards, and cross-functional processes that integrate tax insight into key decisions. Influence should be embedded into processes, systems, and workflows, rather than based solely on personal relationships or invitations to specific meetings.



- ▶ Because tax leadership cannot be part of every conversation, **heads of tax should identify areas where emerging tax leaders can provide support and extend tax insight into more parts of the business.**



- ▶ While the decline in tax's involvement in some strategic conversations likely reflects competing priorities rather than a loss of influence, reduced involvement in key areas like workforce strategy, technology initiatives, and product development could lead to greater risk in the future. **Tax should make the cost of exclusion tangible in financial terms — [for example, by quantifying the value of state and local tax credits and incentives linked to workforce planning](#)** to demonstrate how tax involvement contributes directly to enterprise value.

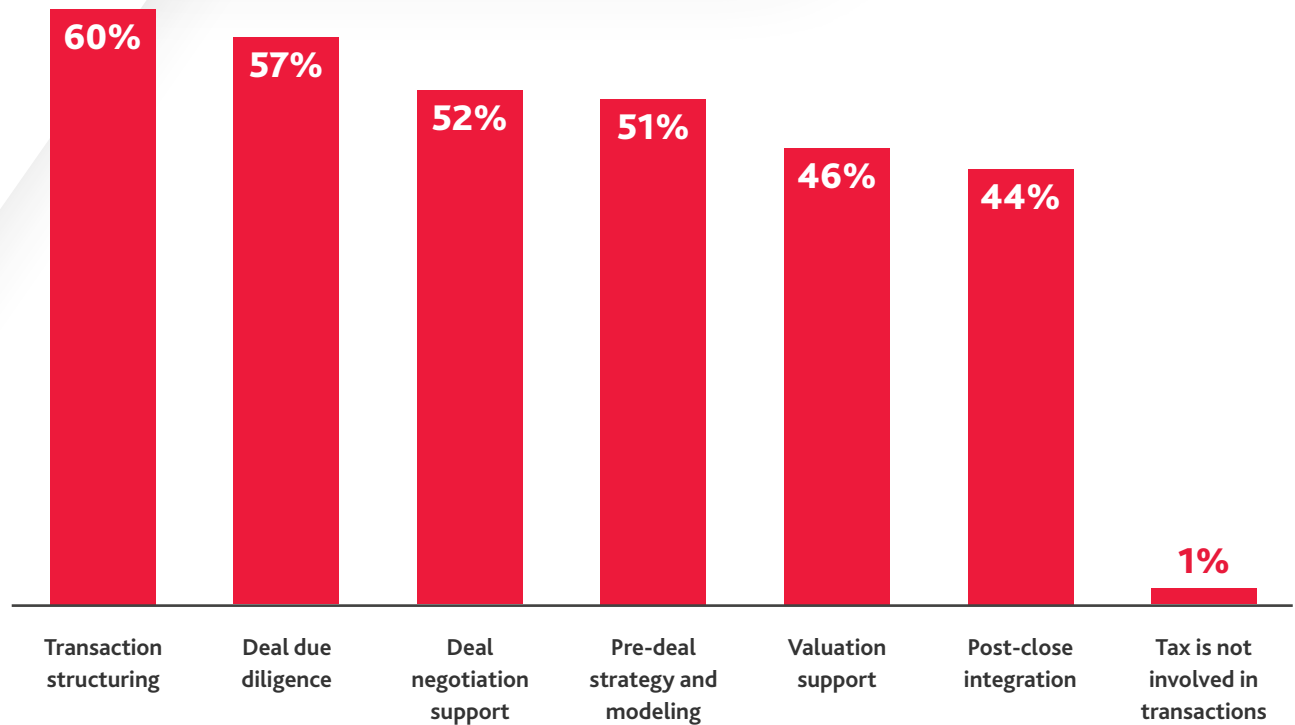


Getting Tax into the Deal Room Earlier

2026 is shaping up to be a significant year for transaction activity, with heightened competition for high-quality assets and large corporations actively pursuing acquisitions. At the same time, many organizations may seek to spin off underperforming parts of their businesses to reinvest in other areas and fund new growth. The deal environment is active for both buyers and sellers, which creates specific demands on the tax function.

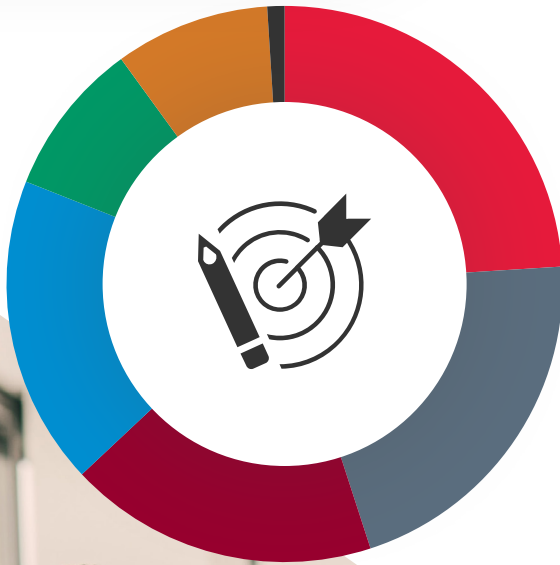
According to the survey, tax's involvement across the deal lifecycle is uneven, with the most consequential gap at the front end: **Only 51% of tax teams report involvement in pre-deal strategy and modeling, an area where tax should play a key role.**

Tax's Role in Strategic Transactions



The gap in tax involvement in pre-deal strategy and modeling may be due in part to timing constraints. M&A deals move quickly, and timelines are often highly compressed. But some tax elements of the deal process cannot be compressed on the same timeline as the rest of the transaction. Organizations that speed through pre-deal strategy to save time face a direct tradeoff: either rush tax considerations and expose the organization to risk or miss opportunities that cannot be recovered. Both outcomes can be avoided if tax is brought into the strategy conversation at the outset.

Tax's Top M&A Challenge



24%
Structuring transactions
for optimal tax outcomes

21%
Integrating different tax systems
and processes post-acquisition

18%
Managing tax due diligence
timelines and resource constraints

18%
Quantifying and managing tax-related deal risks

9%
Navigating state and local tax considerations

9%
Addressing cross-border tax implications

1%
N/A

Transaction structuring is one of the stages in which tax is most involved, as well as one of the most frequently reported M&A challenges. This alignment is no coincidence. Structuring transactions is one of the most complex aspects of the deal process. The fast pace of deals makes it difficult to conduct risk allocation, tax, and regulatory reviews. The challenge is compounded when strong working relationships between tax, the board, and legal are not already in place before the deal begins. Those relationships are difficult to build during a transaction under time pressure.

Recommendation



- ▶ **Bring tax into pre-deal strategy discussions as a standard part of the process, not an add-on.** In pre-deal strategy, tax should identify risks, evaluate and refine deal structures, and create financial efficiency, which cannot be done on the same compressed timeline as other parts of the deal. Build tax involvement into deal strategy from the outset to allow organizations to reduce risk and take advantage of planning opportunities.



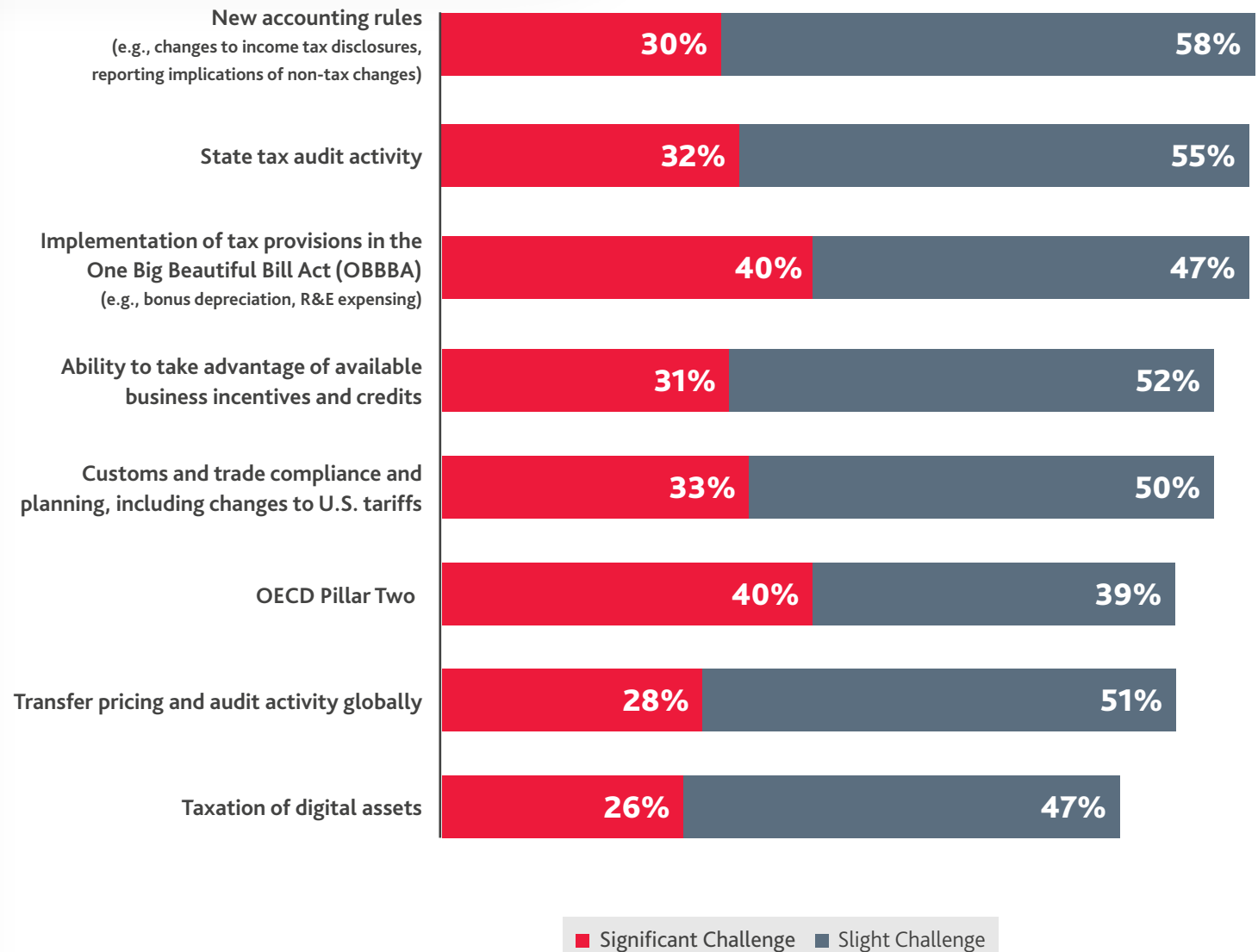


Tax Policy: Volatility on Every Front

Tax leaders are simultaneously managing several [tax policy](#) disruptions: tariff volatility, the implementation of the One Big Beautiful Bill Act (OBBBA) and its associated ripple effects, and the increasing complexity of [global tax reform](#). To manage each of these disruptions, organizations need greater access to data, more cross-functional coordination, and dedicated planning and forecasting capacity.

But many tax teams do not currently have the bandwidth or capabilities to meet all of those demands at once. Current technology has not caught up to new requirements, forcing teams to handle reporting and compliance manually. Many organizations either do not collect or organize the data needed to meet expanded reporting requirements or lack the tools for scenario modeling and planning.

The Top Policy Challenges in the Year Ahead



NEW ACCOUNTING RULES

Tax leaders cite new accounting rules, including [ASU 2023-09](#), as a top challenge in the next 12 months. Public companies first adopted ASU 2023-09 in 2025, revealing how demanding the new requirements are in practice. One of the greatest challenges companies faced in implementing the rules in year one was managing the sheer amount of data required for highly disaggregated, granular tax rate reconciliations and cash taxes paid by jurisdiction.

In year two, companies will be required to refine processes by revisiting materiality judgments, maintaining categorization consistency, and aligning SEC reporting and controller groups before the review stage. Teams will also have to navigate reputational considerations that may arise from cash tax disclosures, which carry the potential to draw public scrutiny. To manage reputational risks, companies need to approach these disclosures with clear narratives to explain the numbers.

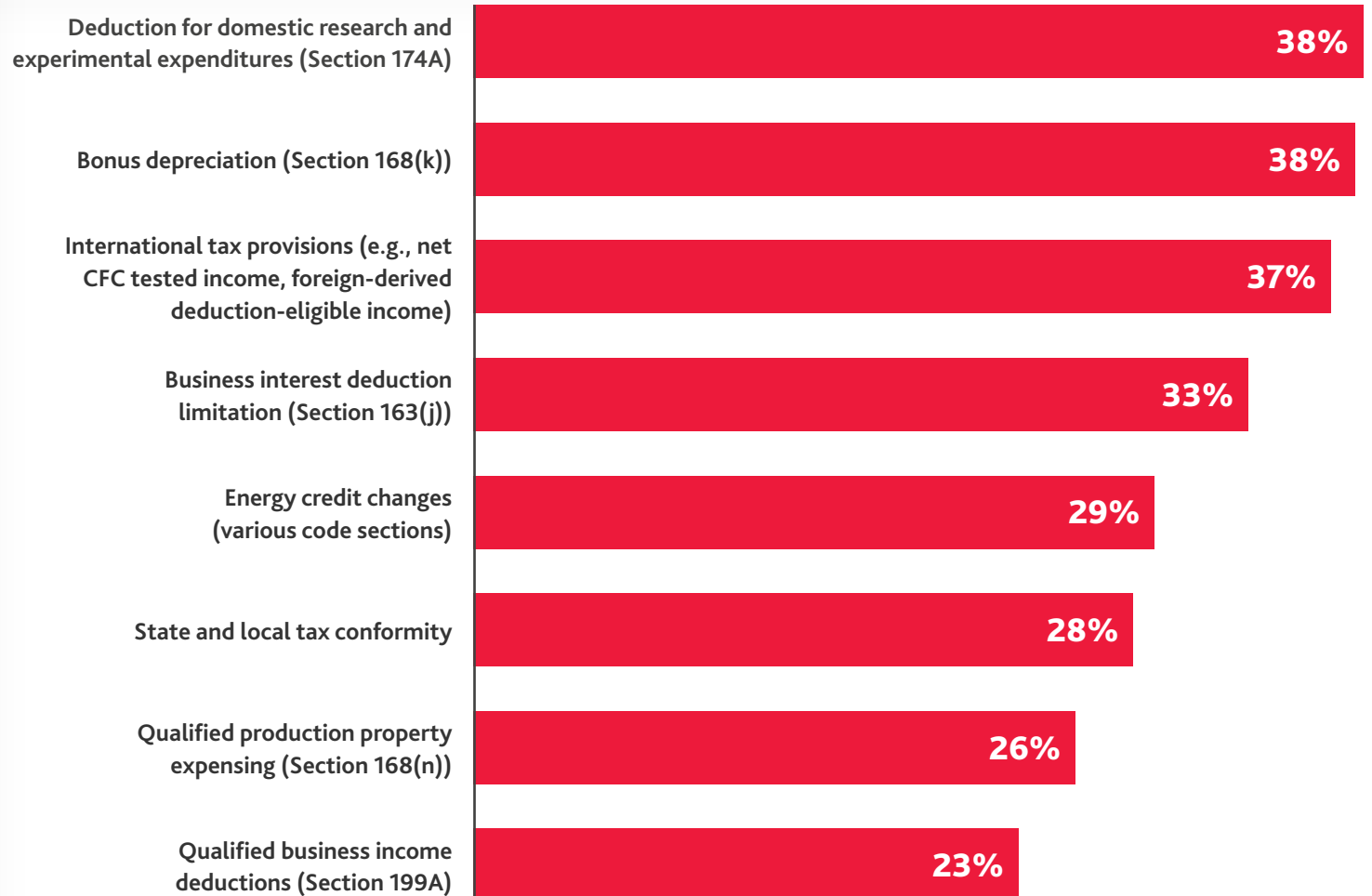
[Private companies face different disclosure requirements than public companies, but the year-one lessons from public company adoption of ASU 2023-09 still apply.](#) Private entities that plan to go public must begin preparing for these enhanced disclosures right away. **Companies should reevaluate staffing, data management, and processes to meet these requirements.**



THE ONE BIG BEAUTIFUL BILL ACT

Tax leaders surveyed expect the OBBBA to affect their businesses across multiple areas of the tax code simultaneously, with no single provision dominating. [Deductions for domestic research and experimental expenditures \(Section 174A\)](#) and [bonus depreciation \(Section 168\(k\)\)](#) top the list, each cited by 38% of respondents, followed closely by [international tax provisions](#) at 37%. The distribution reflects the breadth of the OBBBA's reach: **Tax teams are not managing one major change but several simultaneous ones, each requiring its own planning and modeling work.** That scope compounds the capacity challenge, because the OBBBA is not a one-time planning exercise. The range of provisions in play requires sustained attention across the tax function.

OBBBA Changes That Will Have a Significant Impact on Business



STATE AND LOCAL TAX

Federal tax policy changes may command the most attention, but state and local tax developments are also generating a wave of disruption — one that is harder to track, faster to shift, and increasingly difficult to manage at scale.

States continue to decouple from federal tax law, establishing their own rules on everything from bonus depreciation to the treatment of pass-through items, resulting in a patchwork of rules that grows more fragmented with each legislative session. For tax leaders managing multistate footprints, that fragmentation translates directly into compliance burden, resource strain, and exposure.

It also contributes to audits. Eighty-seven percent of tax leaders surveyed said that increasing state audit activity is a policy challenge, with 32% describing it as a significant challenge. This is likely because states operate under divergent rules and increasingly apply them to expand taxpayer scrutiny, driving a rise in audit activity. **It is the underlying complexity of state tax policy that makes organizations more vulnerable to audit exposure in the first place.**



TARIFFS

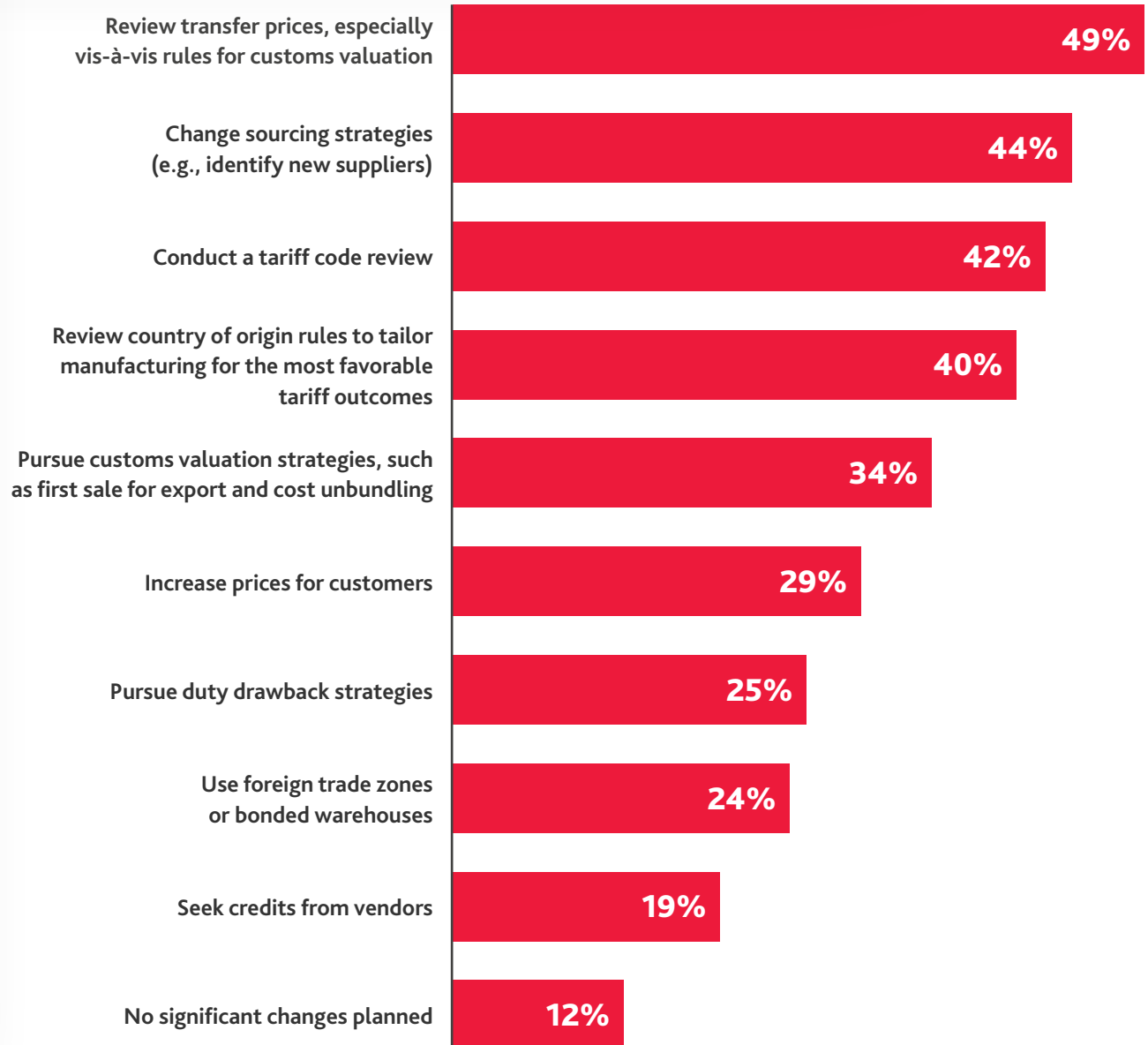
The [evolving tariff environment](#) continues to give rise to complexity and volatility, as the pace of change makes it difficult for businesses to respond in real time. To manage this pace, tax teams need accurate data, cross-functional collaboration, and internal controls and processes strong enough to reduce the risk of inaccurate tariff reporting.

The starting point for accurate reporting is data integrity. Companies should verify their internal tariff and duty data against the data in the [Automated Commercial Environment \(ACE\) portal](#) and reconcile any discrepancies. When gaps exist, companies should update controls to mitigate future discrepancies before moving on to [tariff management strategies](#).

For tariff management, tax teams should focus on approaches that reduce disruption to the business. They should prioritize changes with minimal to no operational impact, like transfer pricing review, tariff code review, [duty drawback](#), and the use of foreign trade zones. Although changing sourcing strategies is the second-most cited action surveyed companies plan to take in response to tariff changes, **they should be aware that while viable, operational strategies such as these carry costs, like business disruption and expense, that must be weighed carefully against potential benefits.**

On February 20, 2026, the U.S. Supreme Court struck down President Trump's tariffs based on the International Emergency Economic Powers Act (IEEPA), ruling that IEEPA does not authorize the president to impose tariffs because that power belongs to Congress. Visit our frequently asked questions page for the latest information on [IEEPA tariff refunds](#).

Actions Companies Are Planning to Take in Response to Tariff Changes



GLOBAL TAX

Ninety-two percent of multinational enterprise (MNE) tax leaders surveyed say global tax complexity has substantially increased in the past two years. As the sources of that complexity — such as transfer pricing, Pillar Two, and the OECD's side-by-side agreement — hit simultaneously, **most tax teams are not built to absorb so much disruption at once.**

Similarly, 93% of MNE tax leaders surveyed say greater global tax complexity has led to higher costs. These costs typically result in greater reliance on external advisors, investment in new tools, the need to hire personnel with different skill sets, and higher labor costs overall. They also highlight the absence of sophisticated information-reporting capabilities that would allow teams to assess financial data and respond to a changing legislative environment in a timely way.

Impact of Global Tax Complexity on Multinational Organizations

Global tax complexity has substantially increased in the last two years

92%

Global tax complexity has led to increased costs

93%

Greater global tax complexity has increased our reliance on external advisors and technology solutions

91%

Greater global tax complexity has made it more difficult to attract and retain qualified tax professionals

81%

We are considering shifting our business activities to other countries due to global tax complexity

59%



Eighty-seven percent of U.S.-parented multinationals and 96% of U.S. entities of foreign-parented multinationals surveyed identify OECD Pillar Two requirements as a challenge. This is likely because even with the recent agreement on a side-by-side safe harbor, the complexity of Pillar Two is far from resolved. While the safe harbor will ultimately exempt U.S. multinationals from Pillar Two's undertaxed profits rule (UTPR) and income inclusion rule (IIR), it does not apply for 2024 or 2025, and even when it takes effect in 2026, implementation will vary by jurisdiction, creating inconsistencies that complicate financial statement preparation and reporting.

In the near term, U.S.-parented multinationals still face meaningful exposure. Qualified domestic minimum top-up taxes (QDMTTs) enacted in the jurisdictions where they operate remain in effect regardless of the safe harbor, and Pillar Two compliance obligations for 2024 and 2025 are live, with filings due as early as June 2026. **More than 60 jurisdictions have implemented the Pillar Two rules inconsistently and on different timelines, and multiple overlapping mechanisms require vast data and analysis to calculate a company's tax obligations.**

The U.S. decision not to adopt Pillar Two creates asymmetric obligations for U.S.-parented multinationals relative to foreign-parented entities operating in the same jurisdictions. But it also opens a strategic window: Now that U.S. multinationals have greater certainty that they will ultimately be exempt from UTPR and IIR exposure, there

is a meaningful opportunity for proactive global intangible low-taxed income and net CFC tested income planning, including strategies that were previously constrained by Pillar Two risk. Tax teams that can move quickly stand to benefit, but many may lack the processes, technology, and bandwidth to capture the data this work requires.

Eighty-seven percent of U.S.-parented multinationals and 88% of U.S. entities of foreign-parented multinationals surveyed identify transfer pricing audit activity as a challenge for their organizations in the next 12 months. Despite an IRS workforce reduction of more than 25%, the agency continues to actively pursue transfer pricing audits. The departure of IRS personnel has also made it more time-consuming to resolve disputes and mitigate double taxation through the mutual agreement procedure and advance pricing agreements.

Non-U.S. tax authorities have also become more aggressive, with audit activity of intercompany transactions increasing. These audits can be difficult to manage and defend due to the complexity of local regulations and their technical, resource-intensive nature. The availability of country-by-country reporting (CbCR) data has left companies more open to scrutiny from non-U.S. tax authorities across jurisdictions, adding another layer of exposure to an already demanding environment.

Recommendations



- ▶ **Treat year two of ASU 2023-09 as an opportunity to redesign processes.** Establish jurisdiction-level data feeds before the close cycle begins, lock in materiality judgments and categorization taxonomies early, and align SEC reporting and controller groups at the planning stage rather than the review stage.



- ▶ **Create a proactive tariff response structure that starts with strengthening internal controls.** From there, include automated tariff code classification, real-time transfer pricing monitoring, country of origin tracking, and a direct integration of the tax function and procurement and supply chain teams.

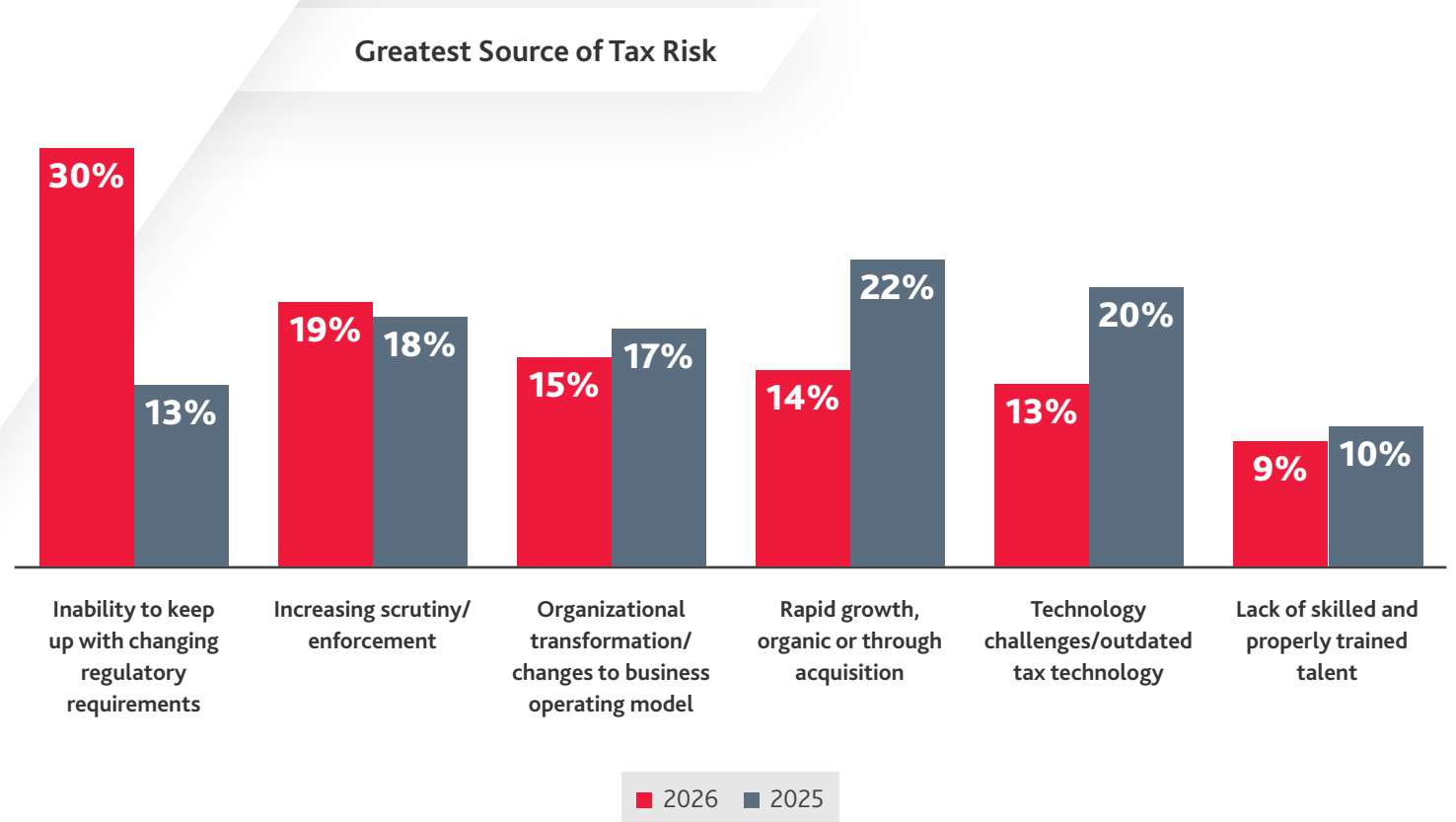


- ▶ **Build the data infrastructure and external advisory relationships** needed to manage Pillar Two, the side-by-side agreement, and transfer pricing audit activity as concurrent, ongoing obligations. That means establishing jurisdiction-level data collection processes capable of supporting CbCR and Pillar Two calculations and identifying where internal bandwidth gaps require external support. Pillar Two filings are due as early as June 2026, and transfer pricing audit activity is increasing from both U.S. and non-U.S. tax authorities — the window to address process and data gaps is narrow.



Risk Is Evolving Rapidly, Challenging the Tax Function To Keep Up

Total tax liability is rising. Regulatory complexity is compounding. And the pace of change is not slowing down. Together, these forces put sustained pressure on tax teams to keep up. Today's gaps in the tax function are less about whether tax has a voice in the risk conversation and more about whether the function has the operating model, technology, and cross-functional integration to match the current environment. While tax's influence on enterprise risk strategy has grown, the latest data shows its capabilities have not kept pace with the evolving risk landscape.



Tax leaders surveyed identify the inability to keep up with changing regulatory requirements as the greatest source of tax risk in the next 12 months, cited by 30% of respondents — more than double the 13% who said the same in 2025. Tax leaders' rising concerns about regulatory complexity tie directly to increases in total tax liability: 82% of companies say their total tax liability increased in the last 12 months. Regulatory change is not just a compliance challenge; it is a direct driver of rising tax costs, as new rules expand what is taxable and drive up the cost of compliance. When multiple jurisdictions change at once, the risk and cost compound.

Companies operating in multiple U.S. states face a patchwork of requirements. Fifty states and countless local jurisdictions create complexity with disparate rules and timelines. States face fiscal pressure that shapes tax policy and compliance enforcement: Many states are decoupling from federal rules to protect their own revenue bases and are increasing audit activity, both of which compound compliance burdens and create additional work for tax teams. Differing interpretations of economic nexus, including where a company has employees, houses inventory, or conducts sales, add further layers of operational complexity, as does the need to apportion income across states.

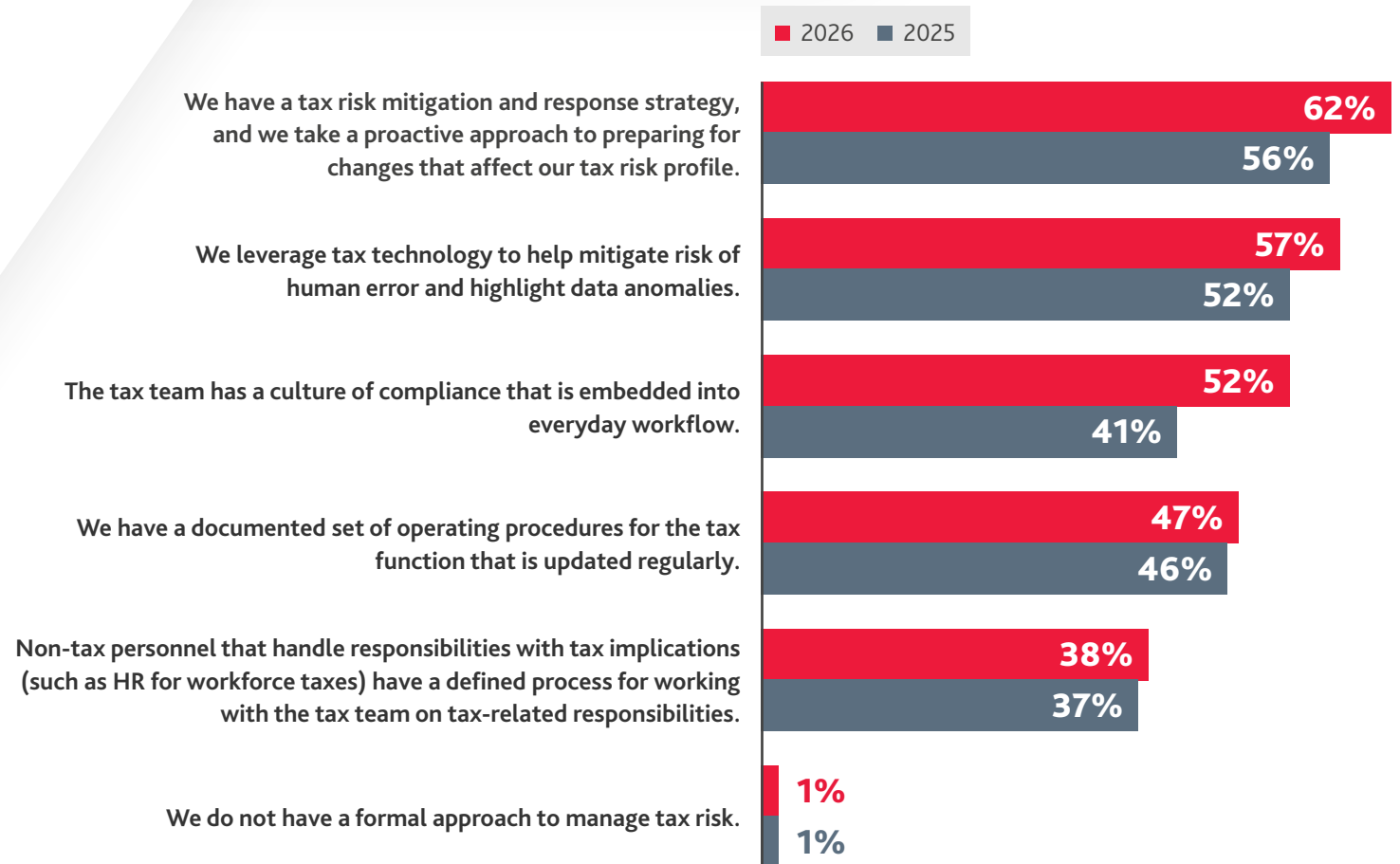
Largest Contributor to Total Tax Liability, Excluding Federal Income Taxes



For companies with significant international operations, VAT compliance and cash flow management represent major operational burdens. The expansion of VAT/GST to digital services like streaming, SaaS, and e-commerce has substantially widened the indirect tax base for technology and services companies. **In the U.S., sales and use tax compliance — particularly use tax on purchases — remains one of the highest audit risk areas.**

Companies have made measurable progress in their approach to tax risk management. Nearly every key measure is up year over year. **And yet, 50% of tax leaders report being involved in a tax dispute or audit in the last 12 months, indicating how routinely tax teams are still put in a reactive position.**

Year-Over-Year Approach to Tax Risk



Progress is uneven and significant gaps remain. Only 38% of respondents say that non-tax personnel have a defined process for working with the tax team on tax-related responsibilities. When tax is not embedded in the workflows of other functions, tax risk may rise in those areas. A culture of compliance inside the tax function is insufficient if the rest of the organization does not have a process to flag tax-relevant decisions, which directly limits the organization's ability to take a total tax approach.

Technology integration tells a similar story. Some companies have foundational technology capabilities like data collection and validation, but scenario modeling and forecasting — the capabilities most needed to anticipate regulatory change — are the least mature across the tax function.

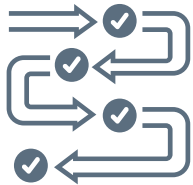
THE LEVEL OF TECHNOLOGY INTEGRATION IN DIFFERENT TAX RISK MANAGEMENT AREAS

	HIGHLY INTEGRATED Technology-driven with minimal manual intervention	MODERATELY INTEGRATED Mix of technology tools and manual processes	NO TECHNOLOGY INTEGRATION Fully manual	Not applicable
Data collection and validation	50%	45%	4%	0%
Compliance monitoring and tracking	49%	46%	4%	0%
Audit trail documentation	45%	49%	5%	1%
Risk identification and assessment	41%	55%	4%	0%
Risk reporting and analytics	41%	56%	3%	0%
Scenario modeling and forecasting	38%	54%	7%	1%

Lack of access to scenario modeling and forecasting for managing tax risk is a significant issue. The areas driving the most change and impact to total tax liability — state and local tax (SALT), indirect taxes, and tariffs — are fast-moving and jurisdiction-specific. Tracking and responding to them requires complex, multivariable modeling that most tax functions are not currently equipped to conduct at scale. Risk reporting is also lagging, which limits tax's ability to communicate risk in terms that resonate with the C-suite and make the case for investment in the function.

Although tax is becoming more strategic in its approach to risk, the pace of change is challenging most tax functions' ability to keep up. **That gap points directly to the need for investment in technology and external advisors to support the work.**

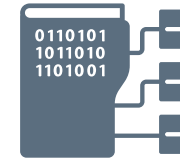
Recommendations



- ▶ **Close the cross-functional ownership gap** by building collaboration processes between tax and every relevant business function so that tax-relevant decisions are flagged before they are made.



- ▶ **Invest in risk reporting and analytics infrastructure** so tax can quantify and communicate liability exposure by jurisdiction and risk area, giving leadership the visibility to make informed decisions about where to invest in the business.



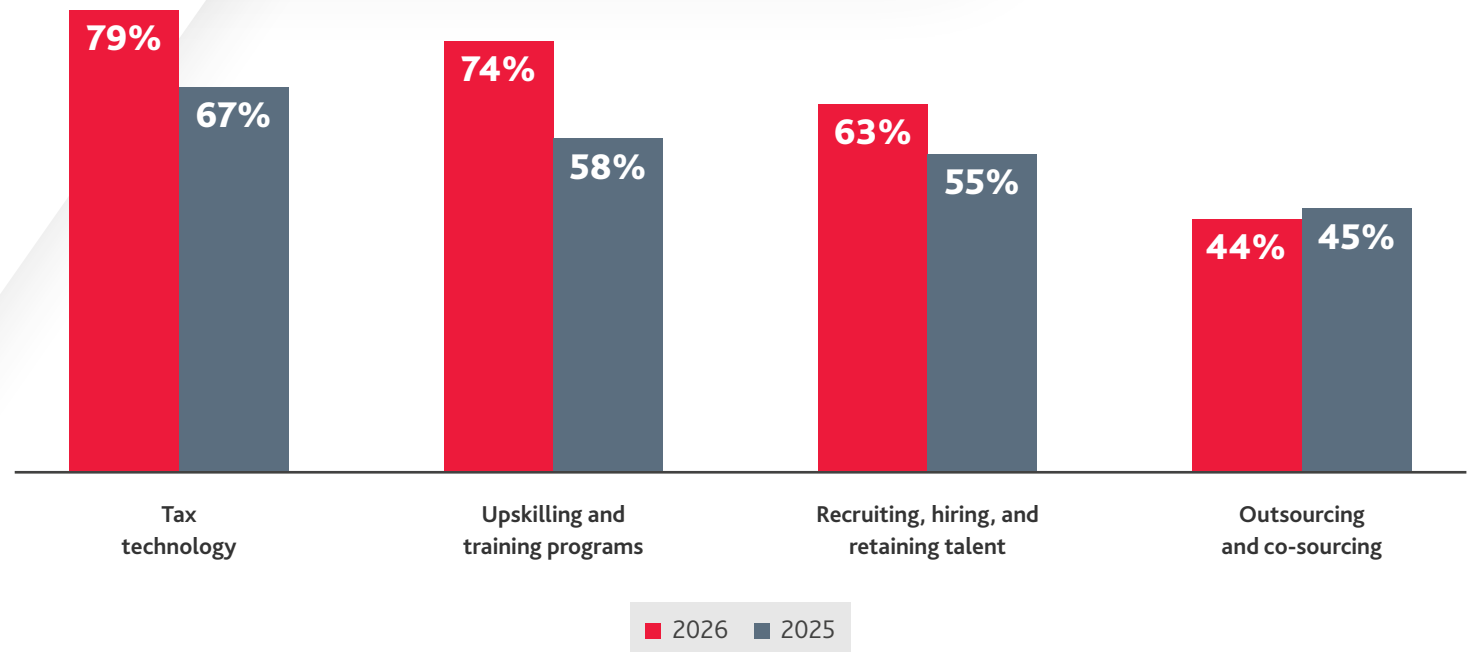
- ▶ **Prioritize the technology tools and data governance infrastructure** needed to enable better scenario modeling and forecasting, particularly in the areas where regulatory change is fastest and most jurisdiction-specific, such as SALT, indirect taxes, and tariffs.



Compliance Drives the Operating Model

Tax leaders broadly recognize that their operating models must remain fluid to respond to shifts in policy, risk, technology, and the talent market. But the data tells a more specific story: Operating models are being shaped more by compliance pressure than strategic design. As a result, tax leaders build operating models that are largely reactive, driven by what tax teams need to get through today rather than what the function will need to be effective over the next several years. As change continues to accelerate, that reactive posture carries real risk.

Areas Where Tax Is Increasing Investment



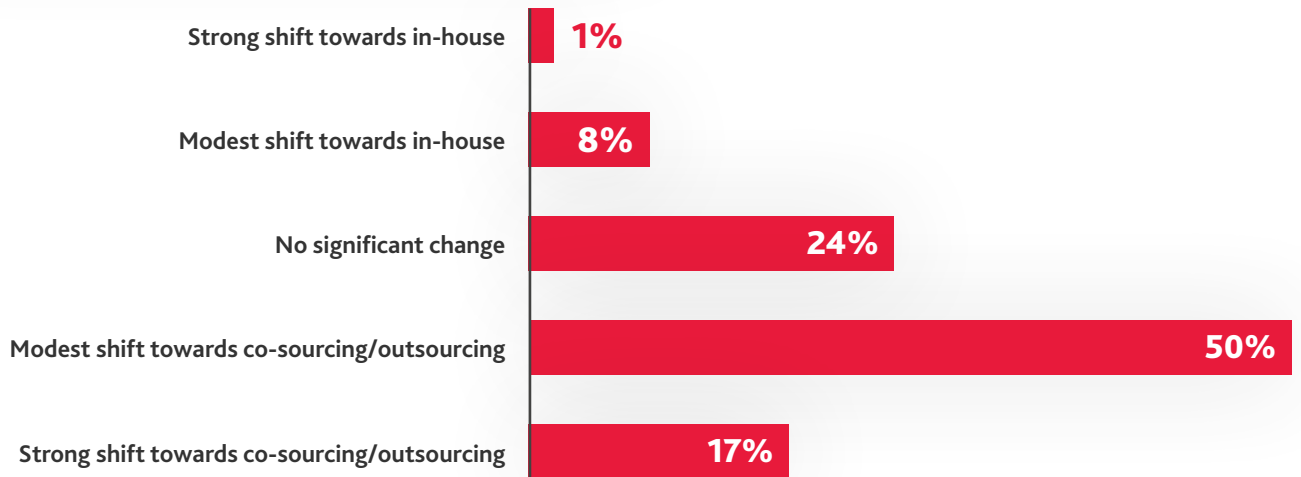
Several forces are reshaping how tax functions are structured and resourced. The compliance burden is expanding as regulatory requirements necessitate direct investment in technology, in-house talent, and outsourced resources. Most tax functions manage these three levers independently, when the real opportunity — and the real risk — lies in how deliberately they are integrated.

Technology investment is accelerating, but its impact depends entirely on the people behind it. AI and automation have real potential to create capacity and shift tax functions toward more strategic work when talent investment keeps pace. Many tax functions are still working through adoption and integration challenges, which means the return on technology spend is being limited not by the tools themselves, but by the readiness of the teams using them.

That readiness gap is becoming harder to close. The tax skill profile has shifted: Today's tax function needs people who can navigate regulatory complexity, work fluently with data, and communicate effectively across the business. That combination is harder to find and retain than it was even a few years ago. For tax leaders, this means that building the right team is a core operating model decision that directly affects what the function can deliver.



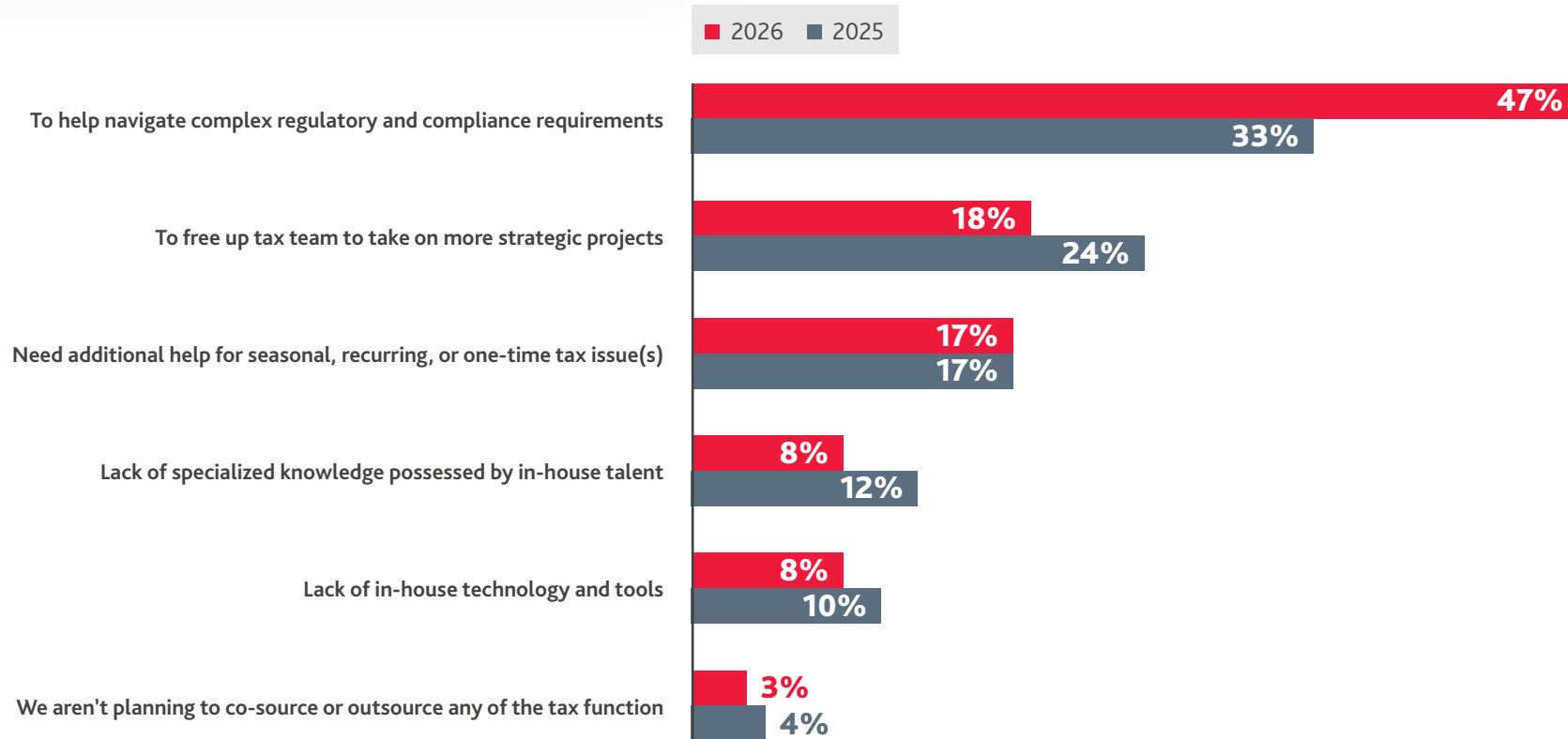
Changes to the Operating Model This Year



Outsourcing remains a steady part of the mix, but how the operating model is structured matters. Stability in outsourcing spend reflects that tax leaders have found a workable balance — though the real question is not whether work is done externally, but whether the model is set up to perform. The ability of external resources to scale up or down as business needs shift is a key indicator of model health. Another is whether the processes and technology are in place to support those providers, rather than leave internal teams scrambling to assemble the information needed to get the work done.

Integration and communication between internal and external teams is essential. A [strategic advisor](#) needs to deeply understand the business operations and holistic tax profile to be able to uncover risk and identify planning opportunities, rather than focusing solely on completing compliance work. Those factors, more than the decision to outsource itself, determine whether the operating model is built for resilience.

Primary Reason Tax Co-Sources/Outsources Work



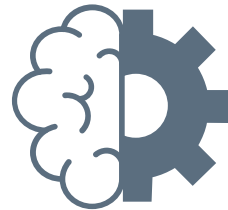
Although overall investment in outsourcing and co-sourcing has remained flat year over year, the primary reasons for outsourcing and co-sourcing have shifted. The share of respondents citing complex regulatory and compliance requirements as the primary reason for outsourcing has grown from 33% in 2025 to 47% in 2026, while the share citing a desire to free up the tax team for more strategic projects has dropped from 24% to 18%. The shift suggests that tax functions are turning to external advisors to help manage compliance demands, potentially to help absorb the increased volume of compliance work, but also to lend specialized knowledge not available in-house.

The path forward requires tax functions to address each lever — compliance infrastructure, technology adoption, talent development, and outsourcing design — not independently, but as part of a connected model. Functions that treat these as separate challenges will continue to operate reactively. **Those that integrate them deliberately will be better positioned to absorb compliance pressure without sacrificing strategic capacity.**

Recommendations



- ▶ **Define the target operating model before making the next round of resourcing decisions.** That means identifying the right mix of in-house talent, technology capabilities, and outsourced resources not just for the next 12 months, but with a multiyear view. Reactive decisions made in response to compliance pressure tend to solve the immediate problem and create structural inefficiencies over time.



- ▶ **Invest in talent alongside technology to unlock the full value of AI and automation.** These tools can redirect capacity from routine compliance work toward higher-value activities, but only if the people on the team have the skills to do that work at speed, including data fluency, scenario modeling, cross-functional communication, and regulatory interpretation. Technology investment without the corresponding talent investment produces limited returns.



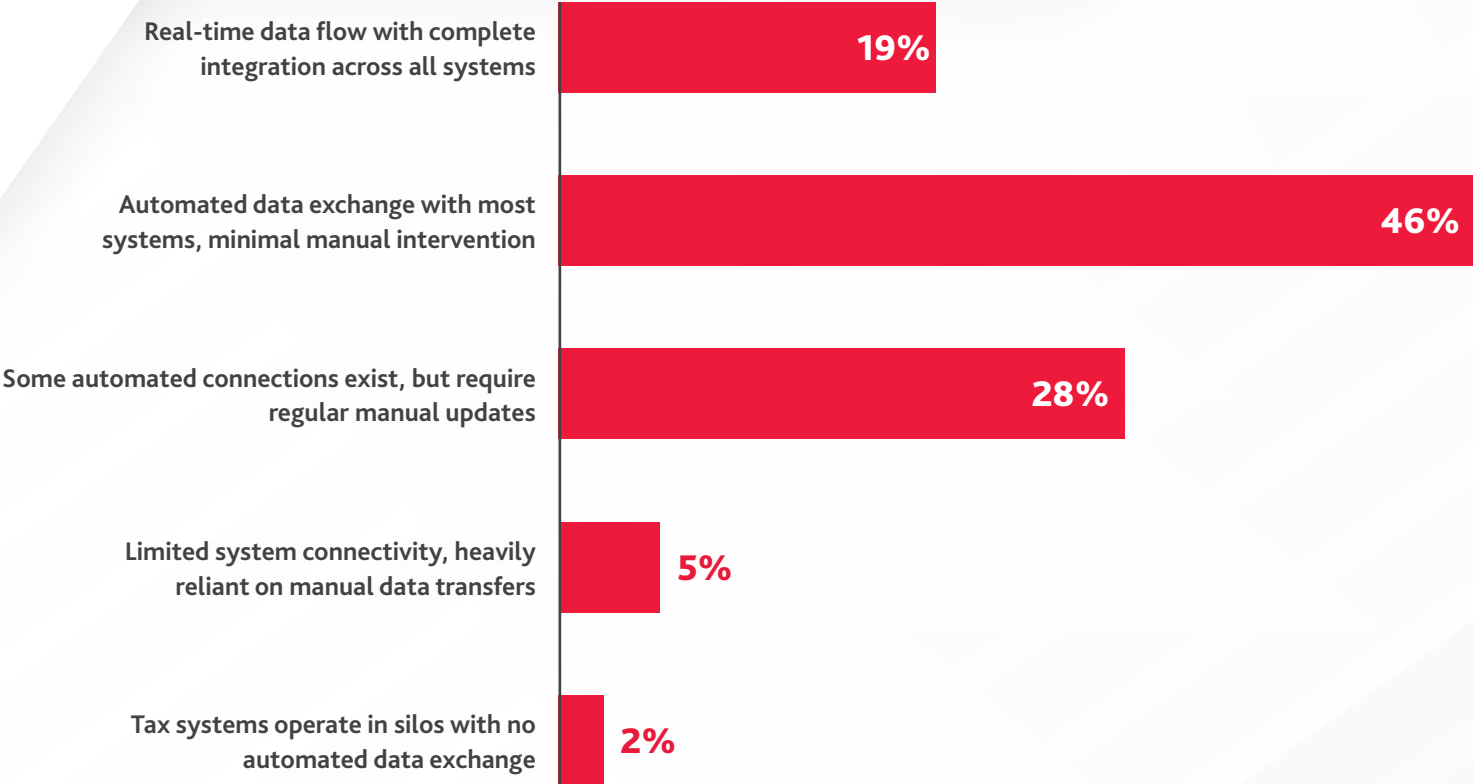
- ▶ Not every skill gap should be addressed in-house. For highly specialized knowledge, such as navigating complex global tax compliance or multistate regulatory requirements, **external support is often the more practical and reliable answer.** The cost and difficulty of employing a full-time resource with deep technical tax knowledge and specific regulatory experience are high, and the risk of getting it wrong even higher. Tax leaders must strike the right balance between investing in internal development and engaging an external advisor.



More Tools, Same Fragmented Infrastructure

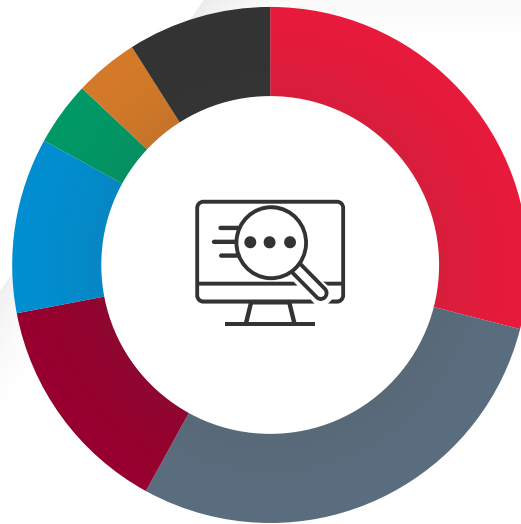
Connectivity Between Tax Tech and Other Enterprise Tech

Compared to tax teams at larger enterprises, middle-market tax functions historically have been behind the curve on technology adoption, running on a patchwork of different systems, spreadsheets, and manual processes. **That baseline has not changed: Only 66% of tax functions surveyed have automated data exchange across all or most of their systems; of those, only 19% report real-time data flow across all systems.**



Tax remains behind the curve in part because innovation is challenging to implement. Respondents' two most cited barriers to successful technology initiatives are interoperability with legacy technology and processes (29%) and implementing technology before data management processes are in place (29%). **Together, they point to the same underlying problem: the foundational infrastructure required to support new technology is not yet in place.**

Top Reason Technology Initiatives Underperform



29%
Implementing technology before data management processes are in place

29%
Interoperability with legacy technology and processes

14%
Tax technology is not a strategic priority or key component of our vision

11%
Underinvestment/under-prioritization

4%
Lack of skills or insufficient training

4%
Lack of employee buy-in or employee pushback

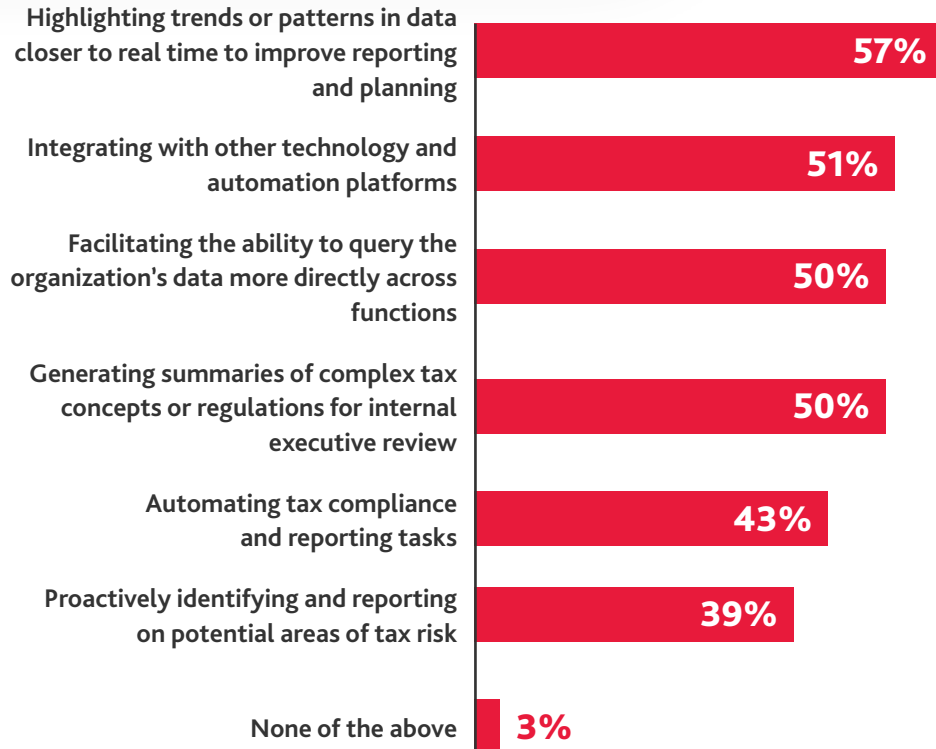
9%
Not applicable. We have no issues with tax technology underperforming

Without that foundation, new tools create new problems rather than solve existing ones. Many tax functions lack metadata standardization, enterprise-wide data governance, and the process infrastructure needed for effective technology adoption. This creates a fragmented data foundation and presents both efficiency and risk issues: Manual data movement introduces version control errors, data accuracy problems, and audit exposure that automated systems are designed to prevent. Organizations that prioritize strategic investment in data management modernization, integration architecture, and process standardization can address these foundational gaps and create the conditions needed to accelerate tax transformation.

Despite the challenges with innovation, tax and executive leadership recognize the potential of AI and automation to fundamentally change what the tax function is capable of and are investing accordingly. More than half of respondents (51%) plan to increase tax technology spending by more than 10% in the next 12 months. Investment in upskilling and training is also up year over year, reflecting a growing awareness that technology investment without the corresponding talent investment produces limited results.

Companies continue to increase their use of technology to automate accounting and financial reporting processes, manage risk, and handle routine tax tasks. But the distribution of AI use reveals a maturity drop-off.

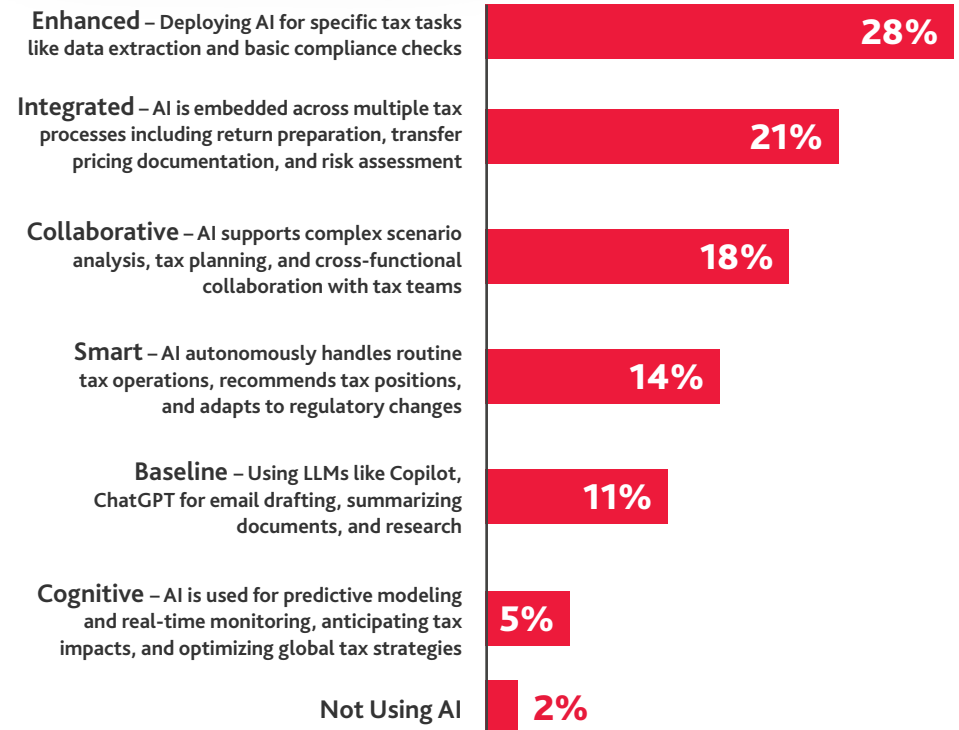
How Organizations Are Deploying AI for Tax



Most organizations in the survey report using AI in the tax function, but the findings suggest they do not yet use it to its fullest extent. The two most common deployment patterns, task-specific use (28%) and multi process embedding (21%), are largely focused on speeding up existing work, not enabling tax to leverage the technology for strategic planning activities. Data extraction, basic compliance checks, and return preparation are efficiency plays at the execution layer, not the strategic layer.

Greater use of AI for scenario modeling, regulatory forecasting, and cross-functional planning would move the function forward at the strategic level. But that shift is constrained by the same interoperability issues that limit technology investments more broadly. Only 18% of tax functions use AI for complex analysis and cross-functional collaboration.

AI Maturity of Tax Functions



Multivariable regulatory scenarios cannot be run on stale, manually reconciled data. AI cannot be meaningfully embedded into a workflow that requires human involvement to move data between systems. These technology lags limit the tax function's ability to operate strategically and create risk exposure in the process. Technology investments made without first addressing the underlying infrastructure are investments that will not deliver the intended return.

Recommendations



- ▶ The solution is not more tools. Instead, **it is to establish a single source of truth** for tax-relevant data and build the connections and data governance protocols that allow existing tools to work together. Interoperability and data management are the root-cause issues behind these capability gaps. Addressing them is a prerequisite to realizing a meaningful return from any additional technology investment.



- ▶ **Shift the use of AI from an efficiency play to a strategic asset.** Prioritize scenario modeling as a first use case to demonstrate how the tax function can model the tax implications of different business decisions. This is one of the fastest ways to show concrete ROI on AI investment in tax and build the internal case for broader adoption.



- ▶ **Work with external advisors and technology vendors to build a tax technology roadmap aligned with the tax operating model,** engaging IT as a collaborator in that process. Proper alignment helps ensure tool selection, data governance decisions, and implementation sequencing are driven by where the function needs to go, not by what is available in the market. Because finance typically lays the infrastructure groundwork that tax builds on, the tax technology roadmap needs to be **developed in direct coordination** with finance transformation efforts. Tax leaders who understand where their organization is in the finance transformation process are better positioned to align their technology roadmap accordingly.



Positioning Tax for What Comes Next

Tax is at an inflection point.

The function has earned a more strategic role inside the enterprise. Now, the question is whether the infrastructure, relationships, and operating model are in place to make that role durable. The path forward requires action in four areas.



The tax-CFO relationship is already in place. **The next step is embedding tax's strategic role across functions through defined processes and shared data.** The cost of excluding tax from decisions made in those functions needs to be visible in dollar terms to drive cross-functional accountability and give the broader organization an understanding of what a total tax approach means.



Technology is essential to navigate regulatory complexity, advance the total tax mindset, and manage tax risk at scale. But the foundation must come before the tools. That means establishing a single source of truth for tax-relevant data and closing the interoperability gap with IT, not adding capabilities on top of fragmented infrastructure. **Once that foundation is in place, building scenario modeling capabilities will give the tax function the ability to track and respond to regulatory changes at the pace they occur.**



The operating models that will serve tax functions successfully will not be built reactively in response to compliance pressure. They will be designed with a clear view of where the function needs to go. **That means defining the right mix of in-house talent, technology, and external advisors with a multiyear horizon.** It also means carving out capacity for strategic planning separate from the compliance workload and upskilling teams to leverage AI for strategy, not just efficiency plays at the execution layer.



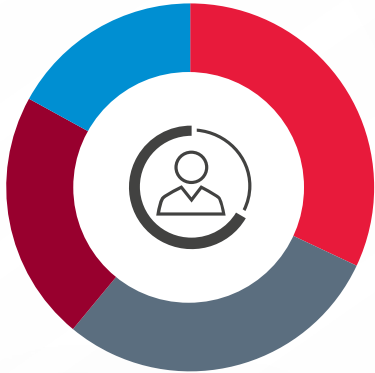
Tax risk is **enterprise risk**. **Building a dedicated tax risk dashboard or incorporating tax risk into an existing dashboard makes that case.** Reputational exposure, the costs of global regulatory complexity, and the pace of regulatory change should all be visible to executive leadership.

Tax functions that invest in infrastructure, cross-functional relationships, and new operating models will be better positioned to manage what is coming and turn how they navigate complexity into a lasting competitive advantage.



Respondent Profile

Survey Participants by Job Title



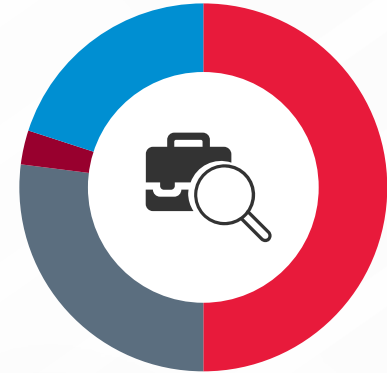
- 32%** Chief Tax Officer
- 29%** VP of Tax/Tax Executive
- 22%** CFO
- 17%** Tax Director

Survey Participants by Industry



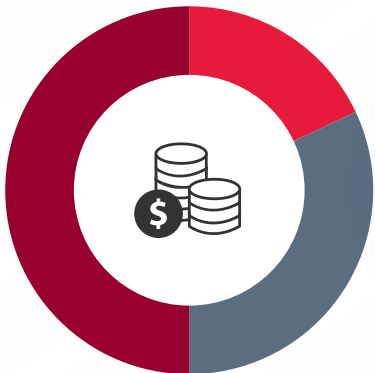
- 16.67%** Manufacturing
- 16.67%** Real estate & construction
- 16.67%** Technology
- 16.67%** Healthcare
- 16.67%** Retail & consumer products
- 16.67%** Asset management

Survey Participants by Company Ownership



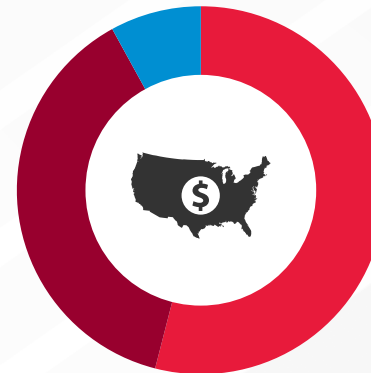
- 50%** Public
- 27%** Private, Independently Owned
- 3%** Private, VC-Backed
- 20%** Private, PE-Backed

Survey Participants by Size



- \$250-\$500M / 18%**
- \$501M-\$1B / 32%**
- \$1B-\$3B / 50%**

Survey Participants by Operations Type



- 54%** U.S. Only
- 38%** U.S.-Parented Multinational
- 8%** U.S. Entity of a Foreign-Parented Multinational



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