2024 Generative AI in tax firms

Perceptions, usage & impact on the future of work

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Executive summary

In the less than two years since the public release of OpenAI's ChatGPT, generative artificial intelligence (GenAI) technology has captured the world's attention like few technologies ever before. The ability to create new text, images, videos, and more using large tranches of data and large language models (LLMs) poses a wide variety of business use cases. For some, the scale of automation brought by GenAI promises a sea change in how business/client relationships are formed and executed, the speed at which tasks are performed, and even the day-to-day jobs of all manner of business professionals.

However, the tax & accounting industry specifically has historically not adopted new technology at the rate of many other businesses. While many tax & accounting firms are beginning to make the leap from siloed spreadsheets to more integrated databases and network-connected systems, these advances occur in spurts and are not uniformly applied across all firms. There also remains a large gulf between how large and small tax firms invest in technology and the capability of their administrative staff — or even if an administrative staff exists — to execute on technology rollouts.

A majority of tax firm respondents said they believe that GenAI can and should be used in the workplace.

So where does that leave GenAI for tax & accounting firms? According to research from the Thomson Reuters Institute gathered from a recent survey of tax professionals, few respondents said their firms are actively using GenAI technology right now. While some respondents said their firms are experimenting with public tools such as ChatGPT for tax work, few firms have rolled out GenAI systems in a systematic way for tax & accounting work, particularly as it relates to tax-specific GenAI systems. There remains a lack of training around these tools as well, and many firms have not fully determined what GenAI may ultimately mean for their businesses.

At the same time, however, there is a recognition that GenAI will be the future of tax & accounting work. A majority of tax firm respondents said they believe that GenAI can and should be used in the workplace. Similarly, nearly half of respondents reported their primary sentiment towards the technology as *excited* or *hopeful* for its impact on the future of the tax & accounting profession.

"Many changes may be needed," explains one shareholder at a US-based tax firm who said they were *hopeful*. "But I believe the more we can get technology working for us, instead of us constantly working on technology items, we will all be better off and will be in a position to make our work less labor intensive, thereby, in part, helping offset the growing shortage of CPAs entering the profession. It raises the CPA to the higher reviewer stage on items."

Key findings

- Nearly half (47%) of tax firm respondents said they are *excited* or *hopeful* about GenAI. An additional 36% said they are *hesitant*, while just 17% are *concerned* or *fearful*. The primary reason for positive sentiments is the potential for increased efficiency and productivity, while the primary reason for negative sentiments is concern around unethical usage.

- A majority of respondents believe that GenAI *can* (73%) and *should* (52%) be used for tax & accounting work. Notably, however, these percentages are lower than their corporate tax colleagues (80% and 60%, respectively). The majority of the rest of respondents remained on the fence.

47%

of tax firm respondents are *excited* or *hopeful* about GenAI

- More than one-quarter (28%) of tax firm respondents reported already using open-source GenAI tools such as ChatGPT for their own personal use, and an additional 31% plan to start doing so within the next three years. Fewer respondents (9%) said they are using proprietary tax-specific GenAI tools, but 44% said they plan to do so within the next three years.

- Just 10% of respondents said their firms were using GenAI on an organization-wide level, but an additional 40% said their firms were either planning or considering GenAI use. The primary use cases among those using or planning to use GenAI include accounting/bookkeeping (84%), tax research (84%), tax return preparation (69%), and tax advisory services (67%).

- Firms are split as to how this will affect their business model, with 40% believing GenAI may lead to increased billing rates. A majority (56%) of respondents said their firms also expect to pass through at least some portion of the cost of GenAI use to their customers, but the vast majority (92%) said their clients have provided no direction yet on the use of GenAI.

53%

of respondents plan to use tax-specific GenAI tools within the next three years

- While some tax firm respondents said they believe GenAI may lead to new job roles or expectations (24%), this figure pales in comparison to corporate tax respondents who said they believe the same (40%). In addition, just 14% of tax firm respondents said their organization had provided training around GenAI, and one-quarter (25%) said GenAI knowledge would be a consideration when hiring.

Methodology

The data for this report is based on information gathered from another report, the *2024 Generative AI in Professional Services Report*, that surveyed 1,128 tax & accounting, legal, risk & fraud, and government professionals in January and February 2024. The information provided in this report comes from the responses of the 330 tax & accounting firm respondents.

Perceptions of GenAI

While GenAI has progressively integrated its way into the collective consciousness, many tax & accounting professionals and their firms remain unsure of how it will directly affect their day-to-day work. On the whole, these tax & accounting professionals feel generally more positively about GenAI's impact on the profession than negatively about its future.

When asked their primary sentiment towards GenAI, the neutral option of *hesitant* gained a plurality of responses; however, nearly half chose excited or hopeful, while fewer chose *concerned* or *fearful*.

FIGURE 1:
Sentiment on the future of GenAI

Hesitant	Hopeful	Excited	Concerned
36%	26%	21%	14%

3% Fearful
1% None of these
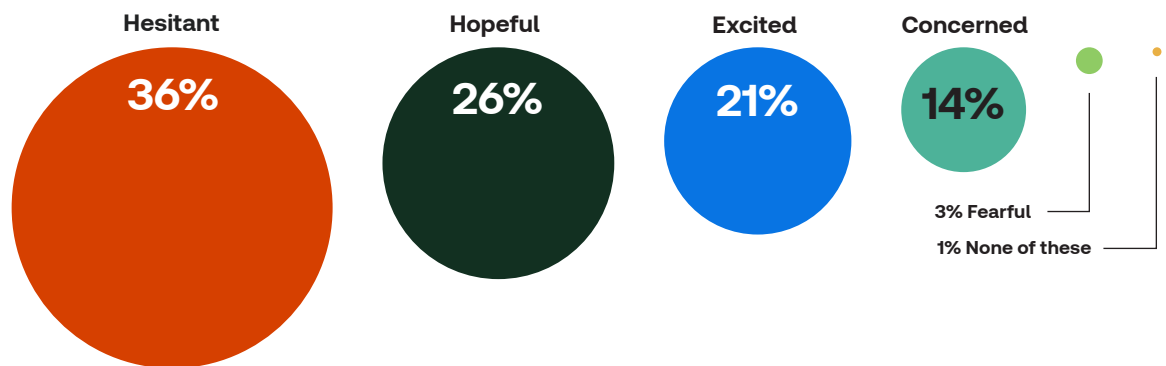
Source: Thomson Reuters 2024

About one-quarter (26%) of those who said they were *hopeful* and 40% of those who said they were *excited* pointed to the productivity and efficiency gains that GenAI technologies can bring. Other common positive reasons included new opportunities for business growth, streamlining work processes, and the potential transformation of the industry as a whole. "I would like to be able to utilize it to complete tasks that are boring or mundane, and I also think it has the capability to enhance my ability to offer more analytical tools to my clients, for example cashflow forecasting or financial statement interpretation," says one Australian accountant.

Those with negative sentiments such as *concerned* or *fearful*, however, primarily pointed to the potential to exploit GenAI for unethical or fraudulent purposes. Others were concerned about an over-reliance on GenAI within the tax industry and concerns around job displacement. "AI in general makes me nervous," explains one US sole practitioner. "No one likes change, and this seems almost *spooky*, to use a very non-professional word."

Even so, many said they believe that change is coming. Nearly three-quarters of tax & accounting firm respondents said they believe GenAI *can* be used for work purposes, meaning that they see potential use cases for the technology. Additionally, more than half believe GenAI *should* be utilized within those industry use cases.
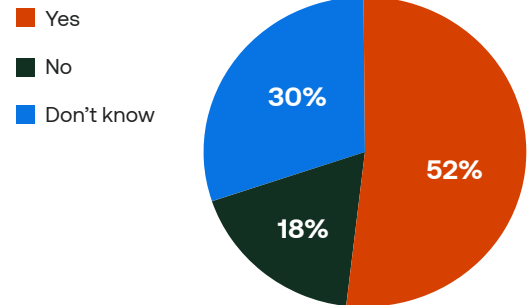
FIGURE 2:

Can and *should* GenAI be applied to tax and accounting work?

Can GenAI be applied to your work?

- Yes
- No
- Don't know

73%

5%

21%

Should GenAI be applied to your work?

- Yes
- No
- Don't know

52%

18%

30%
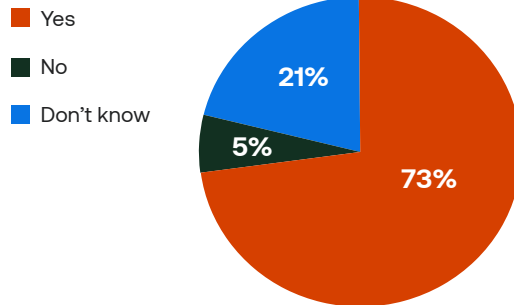
Source: Thomson Reuters 2024

Those who said that it should be applied to tax & accounting work pointed once again to efficiency and productivity gains, but also the potential for higher accuracy work. "AI can take in all the necessary variables of a particular client and their environment and make intelligent decisions based on data, reference materials, as well decisions made in the past," says one Canadian partner. "Legislative cases can also be included in measuring tax risks. Externals can also be used to help the auditor assess risks."

On the other hand, those who said they felt it should not be applied to tax & accounting work primarily focused on a lack of human touch or human intuition that comes with GenAI tools. "It could do some of the accounting and tax work," answers another Canadian partner. "More complicated tax and audit issues require people to make judgment and take responsibilities for those judgments. AI could not be held liable for such."

GenAI usage, now and in the future

Even with these largely positive sentiments, however, GenAI usage has largely not yet become pervasive within tax & accounting firms. While many firms are open to adoption, they say it will occur in a few years, or that they are still in the consideration and education phase.

When asked about their personal use of open-source GenAI tools, tax & accounting professionals were largely split evenly into three camps: those who are already using public tools, those who plan on doing so within the next three years, and those who have no plans to use them.

Proprietary tax-specific tools, however, have a different growth curve. Fewer than 10% of tax & accounting firm respondents are using these tools right now, but almost half of respondents said they plan to do so within the next three years, bringing these tools' personal use to roughly equivalent to that of open-source GenAI tools.

FIGURE 3:

## Personal use of open-source and proprietary GenAI tax and accounting tools

Personal use: Open-source GenAI tools

- Already use
- Plan to use within the next year
- Not within the next year but within 3 years
- No plans to use
- Unsure/not my responsibility
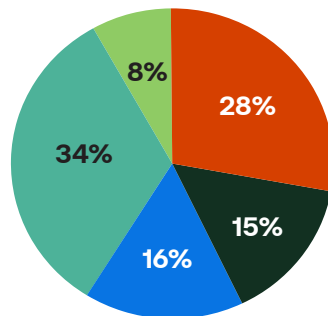
Personal use: Tax-specific GenAI tools

- Already use
- Plan to use within the next year
- Not within the next year but within 3 years
- No plans to use
- Unsure/not my responsibility
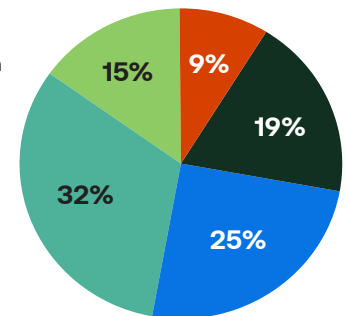
Source: Thomson Reuters 2024

When adopting these tools on a broader firm-wide basis, respondents noted that their firms are understandably behind the curve compared to personal use right now. However, more widespread use could begin to happen quickly given the number of respondents who said their firms are in the planning or consideration phase — in total, more than half of respondents said their organizations are using, planning to use, or considering whether to use GenAI technology.

FIGURE 4:

Organizational use of GenAI tax and accounting tools

Organizational use: GenAI tools used firm-wide

- Already use
- We are planning to use
- We are considering whether or not to use
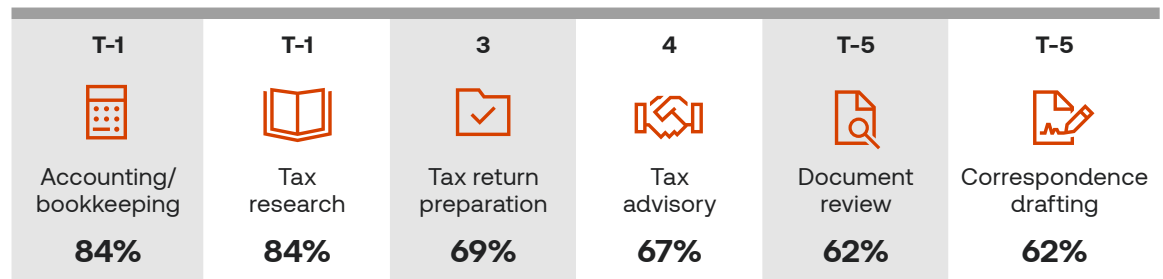- Right now, we have no plans to use

10%	13%	27%	49%

Source: Thomson Reuters 2024

Further, those using or planning to use GenAI tools within tax & accounting firms have a number of different potential use cases of interest. The two top use cases that were identified by respondents also each rely on a different strength of GenAI tools: *Accounting/bookkeeping* takes advantage of GenAI's ability to synthesize large amount of information quickly; while *tax research* provides the ability to give plain-language answers to complex questions.

FIGURE 5:
Most common tax & accounting firm GenAI use cases

T–1	T–1	3	4	T–5	T–5
Accounting/ bookkeeping	Tax research	Tax return preparation	Tax advisory	Document review	Correspondence drafting
84%	**84%**	**69%**	**67%**	**62%**	**62%**

Source: Thomson Reuters 2024

Still, those are only two of a number of different use cases identified by tax & accounting firm professionals. Nine different use cases were cited by at least half of respondents, clearly indicating a varied potential for GenAI in tax & accounting work.

For those respondents who said they were considering using GenAI technologies, the most common barriers to adoption have to do with the architecture and output of the technology itself. Tax & accounting firm respondents most commonly cited the potential for inaccurate responses (68%), concerns around data security (65%), and complying with relevant laws and regulations (59%) as the primary reasons why their firm would not adopt GenAI on a wide scale.

One US tax firm shareholder noted that they were concerned about applying generalized facts to individual situations without further checks and balances. "AI seems to provide general information that can be useful," the shareholder said. "However, it could also provide misguidance if the general information is applied to all clients and/or taxpayers [and] if the professional does not rely on their own knowledge of the law, principles, and facts."

When examining data security, meanwhile, another shareholder from a different US tax firm explained that they still have unanswered questions. "CPA firms deal with personal information — on the back end, how safe is AI? Can someone hack into it?"

Over time, advancements in GenAI technology and the increased use of closed-system, proprietary AI systems will lessen inaccuracy and cybersecurity risks. Still, tax & accounting firms that are looking to adopt GenAI technology would be well-served to keep humans in the loop with AI-driven outputs and decisions of importance, as well as always consider privacy and security when dealing with customer data.

GenAI's impact on the business

With GenAI usage still on the rise in many firms, it's perhaps yet unexplored exactly how this technology may impact firms' wider business. Some believe it will have little impact on either billing or firm personnel, while others are bracing for a potentially larger change.
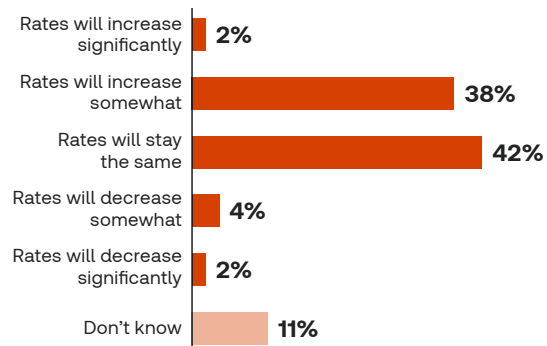
As the technology is early in its implementation lifecycle, there isn't much data available yet to determine how GenAI will affect tax & accounting firm billing rates. As firms are planning for the future, however, about an equal number of respondents said they believe GenAI will cause an *increase* in their rates as did those who said they believe GenAI will have no impact.

A likely reason for this increase is because, rather than keep GenAI costs as *overhead*, many firms are planning to pass along at least a portion of these technology costs to their customers — some on a case-by-case basis, and others planning to pass through costs across the board.
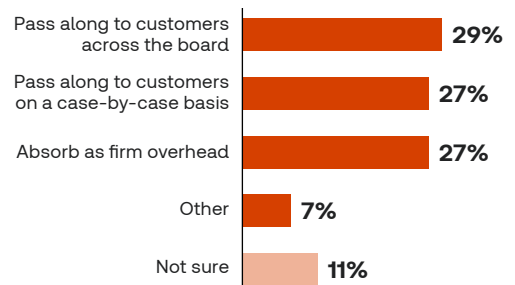
FIGURE 6:

GenAI's predicted effect on rates and firm plans for GenAI investment

GenAI effect on tax firms' rates

Rates will increase significantly	2%
Rates will increase somewhat	38%
Rates will stay the same	42%
Rates will decrease somewhat	4%
Rates will decrease significantly	2%
Don't know	11%

Tax firms' approach to GenAI investment cost

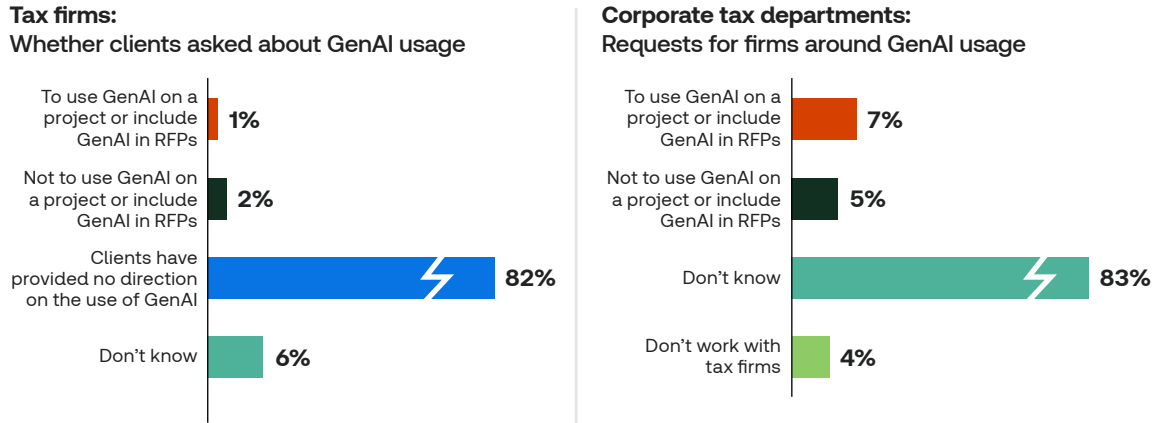|	
Pass along to customers across the board	29%
Pass along to customers on a case-by-case basis	27%
Absorb as firm overhead	27%
Other	7%
Not sure	11%

Source: Thomson Reuters 2024

At the same time, however, many tax & accounting firms have found that they are on their own for actually developing these plans. A large majority, 92%, of tax firm respondents said their organizations have not received any instruction from their clients as to the use and billing of GenAI-driven products and solutions within requests for proposal (RFPs), contracts, or otherwise. Similarly, just 12% of surveyed corporate tax respondents said they had instructed their outside firms to either use or not use GenAI, with the remainder saying either they didn't offer any instruction, they did not know, or that they did not work with outside tax firms.
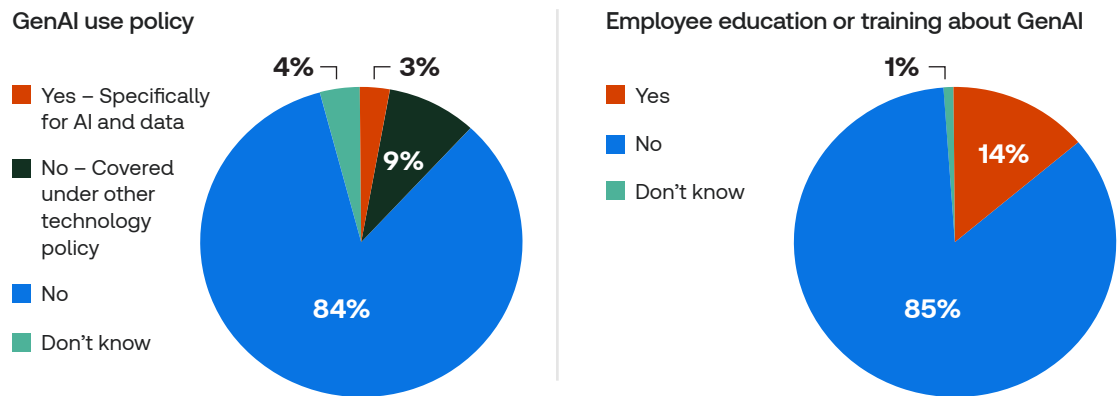
FIGURE 7:

Corporate tax department approaches to firm GenAI use

Tax firms:
Whether clients asked about GenAI usage

To use GenAI on a project or include GenAI in RFPs	1%
Not to use GenAI on a project or include GenAI in RFPs	2%
Clients have provided no direction on the use of GenAI	82%
Don't know	6%

Corporate tax departments:
Requests for firms around GenAI usage

To use GenAI on a project or include GenAI in RFPs	7%
Not to use GenAI on a project or include GenAI in RFPs	5%
Don't know	83%
Don't work with tax firms	4%

Source: Thomson Reuters 2024

Perhaps because of this seeming lack of urgency from clients, tax & accounting firms are largely hands-off in guiding GenAI use internally. Only 12% of firm respondents, for instance, said their organizations had policies covering proper GenAI use — and of those, just 3% said they had a policy specific to GenAI. One-quarter of corporate tax departments, meanwhile, reported having such policies.

FIGURE 8:

Policies and training surrounding GenAI within firms

GenAI use policy

- Yes – Specifically for AI and data
- No – Covered under other technology policy
- No
- Don't know

4% 3%
9%
84%

Employee education or training about GenAI

- Yes
- No
- Don't know

1%
14%
85%

Source: Thomson Reuters 2024

Similarly, tax & accounting firms report a low rate of education and training around GenAI internally, with just 14% of respondents saying their firms provided any sort of training around the tool. Somewhat incredibly, this still puts tax & accounting firms at a higher education rate than their corporate tax peers (10%), but also means that the tax industry as a whole trails the legal (21%), risk & fraud (38%), and government (17%) sectors in this regard.

Firms may be growing their GenAI capabilities in a different way soon, however, as *hiring tech-savvy talent* is considered a big priority. While just 2% of tax & accounting firms said that GenAI skills would be considered a *must-have* for new hires, an additional 23% indicated these skills would be a *nice to have* and a consideration in hiring. Further, 24% of tax firm respondents said they expect new job roles and titles within the next 3 to 5 years as a result of the new technology, with AI specialists, IT support, and data analysts as the most likely job roles for firms to hire.

Conclusion

By all accounts, GenAI is not a *revolution* for tax & accounting firms, but according to survey respondents, it is an *evolution*. Firms are taking care to evaluate and properly integrate GenAI systems before full adoption, meaning that while GenAI has not achieved widescale use yet, it should become increasingly more common within the coming years. And tax & accounting firm professionals feel largely positive about this change, although they admit to some hesitation, which has been mostly brought about by a desire to keep humans in the loop with the firm's tax processes. There also remains some question as to how GenAI will impact firms' billing and hiring practices, with many tax professionals saying they expect there to be some shift, particularly as clients become more integrated into the process.

The tax & accounting firm market is moving quickly on this technology — perhaps more quickly than with any technology in recent memory.

If there is one paramount conclusion however, it's that the tax & accounting firm market is moving quickly on this technology — perhaps more quickly than with any technology in recent memory. Although GenAI's true impact may seem a proposition for far in the future, planning for its impact needs to begin now. As the research shows, proactive organizations have already begun exploring how GenAI will change the future of work, and those without such inclination or planning could risk becoming quickly left behind.

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