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2025

AI Adoption

in U.S. Accounting & Tax Professions 2025 & Beyond

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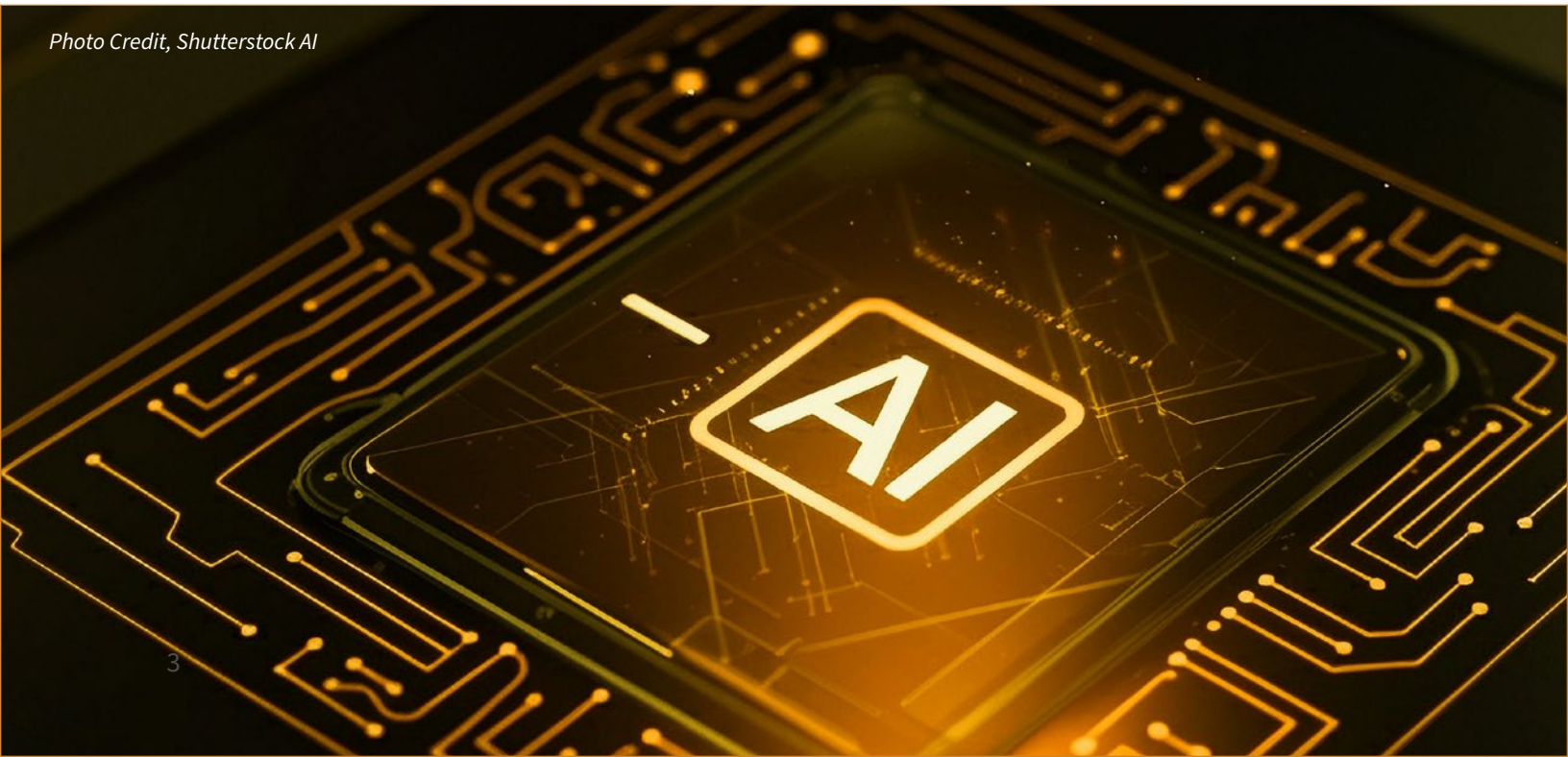
Executive Summary

AI is rapidly transforming the accounting and tax field. Over the past few years, the profession has seen waves of innovation – from early automation and analytics, to Generative AI that produces human-like content, and now the emergence of Agentic AI capable of autonomous action. U.S. accounting and tax professionals have historically been cautious adopters, but generative AI's breakthroughs in 2023 ignited widespread interest. By 2025, firms are experimenting with and implementing AI tools to automate routine work, enhance research, and augment decision-making. This report examines: a brief history of recent AI waves; how AI adoption among accountants has evolved (with key timelines and behavior shifts); the current landscape of AI tools (from foundation models like ChatGPT to specialized tax platforms); new agentic AI solutions on the horizon; the outlook for AI adoption (opportunities, drivers, challenges, sentiment); and key concerns (accuracy, security, ethics) along with how firms are mitigating these risks. The goal is to provide U.S. accounting and tax professionals with a comprehensive overview and actionable insights on navigating AI in 2025.



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CHAPTER ONE

Historical Overview: From Generative AI to Agentic AI

Accounting has entered a new era of AI. In the 2010s, firms began using process automation and machine learning for tasks like data entry, reconciliation, and anomaly detection. These early AI applications were powerful but limited to predefined or "narrow" tasks (e.g. rule-based bots or predictive analytics). The big leap came with Generative AI in the early 2020s – typified by large language models (LLMs) like OpenAI's GPT and others – which can produce human-like text, code, and analysis. Generative AI quickly became a hot topic by 2023, discussed at tax and accounting conferences and in popular media. Tools like ChatGPT demonstrated AI's ability to understand natural language and create content, reducing the need for users to write code or follow rigid scripts. This new flexibility addressed a key limitation of earlier AI: instead of just making recommendations (e.g. showing a list of transactions or possible errors for a human to decide), generative AI could draft documents, answer complex questions, or summarize data on its own.

Agentic AI – the next wave.

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Building on generative AI, Agentic AI refers to AI systems with a degree of *autonomy*: they don't just generate content; they can plan, make decisions, and take multi-step actions toward a goal without constant human direction. In essence, an AI agent can act like a junior team member: for example, not only drafting an email but also deciding to send it, or not only identifying a tax issue but also initiating steps to resolve it. The concept of AI agents isn't brand new – computer scientists have studied autonomous software agents for years – but historically you needed significant programming to deploy them. The difference now is that advances in generative AI have made it much easier to create and deploy autonomous agents, because the AI can handle unstructured inputs and complex reasoning in natural language. According to one professor, "*because of large language models who can understand natural language, it makes it much more flexible to create very sophisticated systems without having to know so much coding.*" In other words, LLMs are the "brains" that give agents the ability to adapt and respond in real time, rather than following only hard-coded if/then rules.

Generative vs. Agentic

Generative AI produces content (text, analyses, etc.) based on patterns in data. Agentic AI acts on content – it can perceive, reason, plan, and execute tasks autonomously. For example, a generative AI might draft a tax research memo when asked; an agentic AI could draft the memo and then proceed to fill in a tax form, notify a supervisor of an anomaly, and schedule a meeting to discuss – all on its own initiative.

This transition is happening quickly. As 2025 unfolds, agentic AI is widely seen as the "*next frontier*" of the AI revolution. In fact, over half of organizations (52%) intend to employ AI agents in their workflows in 2025. Major tech players are racing to enable agent capabilities: for instance, Microsoft recently announced tools for users to build custom Copilot agents and introduced pre-built agents in Dynamics 365 for finance and other domains. In the accounting arena, we're beginning to see autonomous AI helpers that can perform substantial portions of an accounting workflow (more on those in Section 4). It's important to note that agentic AI builds upon generative AI – the agents often *use* generative models under the hood – but not all generative AI is agentic. A simple ChatGPT response is generative but not agentic (it stops at delivering text). Agentic systems add the layer of action and integration with tools/databases to carry out tasks.

52%

of organizations intend to employ AI agents in their workflows in 2025

Key takeaway

Recent years have seen waves of AI in accounting – from early automation to Generative AI's explosion in 2023, and now the early days of Agentic AI in 2024–2025. Generative AI greatly expanded what software can do by understanding intent and producing sophisticated outputs. Agentic AI is poised to expand it further by allowing software to take initiative and handle entire processes on behalf of accountants. This sets the stage for significant changes in how work gets done, which we will explore in the context of the accounting and tax profession.

CHAPTER TWO

Evolution of AI Adoption Among Accounting & Tax Professionals

The accounting and tax profession has a reputation for a measured, conservative approach to new technology. Early on, many firms were hesitant to implement AI, preferring to watch and learn from early experiments. Initial AI/automation (pre-2020): Some progressive firms in the late 2010s began using robotic process automation (RPA) to handle repetitive tasks like data entry or invoice processing, and basic machine learning for functions such as fraud detection or auditing large data sets. However, adoption was relatively slow and confined to larger organizations. Surveys from that era showed modest uptake of AI in practice, and many accountants remained skeptical or simply found the technology too immature for broad use.

Generative AI as a tipping point (2023)

The public debut of tools like ChatGPT in late 2022 marked a dramatic shift. Suddenly, AI became highly accessible – no longer requiring specialized IT support or custom projects. Accountants could experiment with AI by simply chatting with a bot in plain English. By 2023, generative AI was being *widely discussed* across the profession and even small firms took notice. According to an AICPA & CIMA survey, by late 2024 30% of CPA business executives were already experimenting with generative AI in some business applications, up from 23% a year prior. Equally telling, the share of finance leaders not even considering AI plunged from 56% to 38% in one year – a clear sign that AI had entered the mainstream conversation. "*The data suggests we're right on the cusp of broad adoption of gen AI. .. We're rapidly moving from the contemplation to experimentation phase,*" said Tom Hood of the AICPA, noting that this technology is seeing faster uptake than previous adoption cycles. Indeed, while only 6% of those surveyed had fully implemented a generative AI tool in at least one business function, that was already an increase from 4% the year before – and many more implementations are expected soon.

> *"The data suggests we're right on the cusp of broad adoption of gen AI . . . We're rapidly moving from the contemplation to experimentation phase,"*
>
> *— Tom Hood, AICPA*

Timeline of Adoption Trends

2020–2022

Early adopters (mostly larger firms and Big Four) pilot AI for specific tasks. For example, audit teams use AI-based analytics to detect anomalies; tax departments use ML to categorize expenses or read documents. Most firms are still in "wait and see" mode, focusing on automating processes via traditional software or RPA.

2023

Generative AI boom. ChatGPT's launch (Nov 2022) and subsequent improvement (GPT-4 in 2023) act as a catalyst. Accountants begin using these tools in informal ways – e.g. to draft client emails, summarize accounting standards, brainstorm marketing content, or even to write Excel formulas. AI becomes a water-cooler topic. Many professional bodies and firms issue guidance: by mid-2023, for instance, some firms had to create policies on using ChatGPT (e.g. warning not to input client confidential data). The year ends with high excitement but also caution, as stories of AI "hallucinations" (confidently wrong answers) circulate.

2024

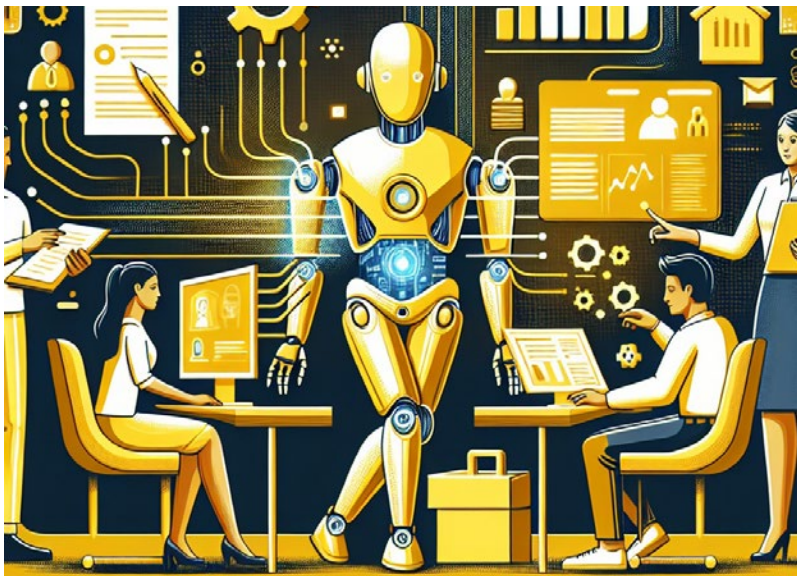
Rapid experimentation. A large portion of firms move from talk to trials. The focus is on integrating generative AI into daily workflows. In a global survey by Karbon conducted in late 2024, 85% of accounting professionals reported feeling excited or at least intrigued by AI's potential. Common use cases include: composing or refining emails and reports, automating routine tasks, and transcribing meetings or generating meeting summaries. In fact, 64% of accountants say they use AI to help draft emails or adjust writing tone (up 4 percentage points from the prior year). Around 41% are using AI to automate tasks in their workflow (also up year-over-year), and 40% are leveraging AI for meeting transcription and to automatically produce action items and summaries – a jump of 12 percentage points, indicating a big new uptake in that area. These numbers reflect how behavior is shifting: mundane chores like formatting correspondence, taking notes, or populating templates are increasingly offloaded to AI, freeing professionals for higher-level work.

Late 2024 – 2025

Agentic AI enters the scene. Forward-looking firms begin piloting more advanced AI that not only generates content but also executes multi-step processes (see Section 4 for examples). While still in early adoption, the first movers are often those who embraced generative AI early. Major vendors in accounting tech start embedding agentic capabilities into their software. For instance, by early 2025, companies like FloQast and Fieldguide have introduced AI "agents" to automate complex workflows (closing the books, conducting audits, etc.), and Thomson Reuters is rolling out an AI-powered assistant trained for tax and accounting research. At this stage, only a few firms have such agentic AI in production – Accounting Today noted in Jan 2025 that "few accounting firms are using it at the moment" – but many have made significant investments believing it to be the next step. Notably, KPMG and Thomson Reuters both made acquisitions/investments in late 2024 to bolster their agentic AI capabilities.

Behavioral shifts

The mindset of practitioners is evolving from skepticism to cautious optimism. Surveys show a stark change in attitude: while most accountants are optimistic about AI, they often underestimate their peers' enthusiasm. Karbon found 85% of respondents are personally positive about AI, yet only 19% believe their colleagues share that excitement. This suggests AI is being thought about more than it's being openly discussed – highlighting a need for more internal communication and education. Leadership within firms plays a key role: firm owners/partners tend to be even more optimistic and are starting to actively encourage AI adoption in their teams. That said, practical concerns haven't disappeared (more on concerns in Section 6). Data from late 2024 shows top perceived benefits of AI include speed and efficiency gains (85% cite this), error reduction (68%), and greater task automation (65%), while common concerns are data security (around 70% express concern, though down from 76% prior year) and maintaining human touch (47% concerned, down from 55%). The drop in concern levels year-over-year indicates that as accountants gain more hands-on experience with AI, trust in the technology is gradually improving.



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Two accounting professionals reviewing output on a laptop. Increased AI adoption is shifting accountants' roles from data entry and preparation to review, analysis, and advisory. Leaders emphasize that those who embrace AI and upskill will stay competitive, whereas firms ignoring AI risk falling behind.

Importantly, firms investing in AI training and upskilling are seeing tangible returns. In practice, there is a gap between "advanced" AI users and

Top PerceivedBenefits of AI

85% Speed & Efficiency

68% Error Reduction

65% Task Automation

beginners. Advanced AI users in accounting save significantly more time – an average of 79 minutes a day saved vs. 49 minutes for beginners, a 71% increase in time savings. That translates to roughly 40 extra hours of capacity per year per employee in firms that provide AI training, compared to those that don't. In fact, one study found that firms leveraging AI effectively are unlocking about 7 additional weeks of productivity per staff per year over those not investing in AI. These statistics underscore a key point: effective adoption isn't just about the tech – it's about people. Education and change management are becoming priorities, as firms strive to ensure their staff know how to use AI tools properly and creatively. One U.S. firm partner put it bluntly: "We have to adapt and learn to leverage AI or we will be out of business. AI presents an opportunity to improve efficiency and quality of service, and opens doors to other types of service." This sentiment is increasingly common as competitive pressures mount.

Additionally, external factors like the ongoing talent shortage in accounting are accelerating adoption. Many firms struggle to hire enough staff (a well-documented trend with fewer new CPAs entering the field). AI is seen as a way to "do more with less", effectively filling some of the gaps caused by understaffing. As FloQast's CEO noted, with shrinking talent pools and heavier workloads, AI agents can be an "invaluable resource to help plug that gap," allowing teams to work smarter and deliver needed insights despite limited headcount.

In summary, AI adoption in accounting and tax has moved from a slow trickle to a growing stream. By 2025, the majority of U.S. accounting professionals have experimented with AI in some form, and a growing minority are incorporating it into routine operations. Early gains in efficiency and accuracy are encouraging further investment. The profession's overall sentiment is optimistic (if still somewhat cautious), and many see AI not as a threat to their jobs but as a tool to elevate their role – allowing them to focus on strategic advisory work rather than grunt work. The next sections will delve into what tools are being used, what new technologies are emerging, and how these changes shape the profession's future.

CHAPTER THREE

Current AI Tools, Technologies, & Platforms in Use (2025)

Accounting and tax professionals today have access to a rich ecosystem of AI-powered tools. These range from general-purpose AI models (think ChatGPT) to specialized software embedded in accounting platforms. Below is an overview of current AI tools and technologies widely in use, categorized by type:

Foundation Models (Generative AI)

These are the large AI models that generate text, answers, code, and more. Leading examples include OpenAI's ChatGPT (GPT-4 and its successors), Anthropic's Claude, Google's Bard (powered by PaLM 2) and upcoming Gemini model, and Meta's open-source Llama 2, among others. Accountants and tax pros often interact with these via chat interfaces or APIs. They're used to draft communications, translate client correspondence, brainstorm memos, summarize lengthy documents, and answer research questions. For instance, an accountant might paste a complex IRS notice into ChatGPT and ask for a simplified summary, or a junior staffer might use Claude to outline a tax planning strategy before refinement by a manager. These models have effectively become "assistants" available on demand. It's notable that all the major tech firms (OpenAI/Microsoft, Google, Meta, Amazon, etc.) made significant advancements in generative AI models during 2023, rapidly improving their capabilities. By 2024, many professionals consider tools like ChatGPT as a standard part of their toolkit. In one survey, over 60% of accounting staff admitted to using external generative AI tools (like ChatGPT) to assist with their work tasks. This category also includes industry-specific foundational models – for example, Intuit developed custom financial LLMs within its GenOS platform to better handle tax and finance queries using Intuit's proprietary data.

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Embedded AI Assistants (in Productivity Software)

Beyond standalone AI chatbots, AI is being embedded in the software accountants use every day. Notable examples: Microsoft 365 Copilot (integrated into Office apps like Excel, Word, Outlook, Teams) and Google's Duet AI in Google Workspace. These assistants leverage powerful LLMs (like GPT-4 for Microsoft Copilot) but surface the functionality within familiar interfaces. For instance, in Excel an accountant can simply ask Copilot to analyze a dataset or generate a formula; in Word, Copilot can draft a proposal or format a financial report; in Outlook or Gmail, it can draft responses to client emails based on context. These tools started rolling out in late 2023 and throughout 2024. Predictions are that AI copilots will become mainstream in office productivity – effectively altering day-to-day tasks of tax and accounting professionals.

Early adopters in finance have reported time saved in creating slide decks, writing engagement letters, and even in meeting management (with AI in Teams or Zoom generating transcripts and action item lists). Another example is Zoom IQ, which can automatically generate meeting notes and identify action items – useful for client meetings or internal planning sessions. Email and communication is a big use case: AI can adjust tone or clarity of messages (as 64% of accountants using AI for communication have found). We also see AI helpers in coding and data contexts – e.g., GitHub Copilot assists with coding macros or scripts for those accountants who do software development or complex Excel scripting.

Overall, embedded assistants mean that AI help is a click away in the software professionals already use, rather than requiring a separate tool. This ubiquity is driving higher adoption since it reduces friction – one can invoke AI in the flow of work.

Accounting/Tax Software with Built-in AI

Many vendors of accounting, tax, and finance software have integrated AI features specific to professional use cases. These are tailored solutions that often combine the vendor's domain data with AI. A few notable ones:

Intuit Assist (for QuickBooks and TurboTax): Intuit, which makes TurboTax and QuickBooks, launched "Intuit Assist," a generative AI-powered financial assistant across its product suite. In TurboTax, for example, Intuit Assist can auto-fill tax return fields by analyzing documents and asking follow-up questions – expediting tax prep for practitioners and taxpayers alike. In QuickBooks, it can help generate invoices, analyze cash flow, and provide personalized insights for small businesses. Intuit has leveraged its decade of AI experience in document processing to enable features like autofilling the ten most common U.S. tax forms (1040, 1099s, etc.) using generative AI and document understanding – saving users significant time and boosting accuracy in tax preparation. Under the hood, Intuit's system (called GenOS) blends their proprietary financial data and knowledge engine with large models like Google's to ensure outputs are accurate and compliant.

Thomson Reuters CoCounsel (for Tax & Accounting): Thomson Reuters, a leading provider of tax and accounting research tools, introduced CoCounsel for Tax, Audit, and Accounting professionals. This AI-driven platform – built in part on technology Thomson Reuters acquired (the startup Materia) – is designed to transform how work is done by serving as an all-in-one AI assistant. CoCounsel can read and analyze documents (Excel, PDF), extract structured data, and even apply AI accounting templates to tasks. Crucially, it integrates with Thomson Reuters' Checkpoint research database, meaning accountants can ask it complex tax and accounting questions and get answers with relevant source citations from an authoritative library. This addresses the reliability concern by grounding answers in trusted content. Essentially, CoCounsel combines a chatbot interface with deep research capabilities and workflow automation, allowing tasks like summarizing new tax law changes, comparing regulations, or preparing workpapers to be done more efficiently. (Thomson Reuters also offers a legal version in partnership with OpenAI, but CoCounsel for Tax is tailored to accountants' needs.)

Wolters Kluwer CCH AI Features: Similarly, Wolters Kluwer has begun adding gen AI to its CCH AnswerConnect tax research platform, to amplify search and quickly draft answers from its content base. They emphasize how AI can streamline complex research – e.g. an accountant can query in natural language and get an answer with references to specific tax code and expert analysis, rather than manually hunting through multiple sources. For audit, Wolters Kluwer's cloud audit suite (CCH Axcess) is incorporating AI to assist with risk assessment and workpaper generation, keeping the focus on auditor judgment while automating rote documentation.

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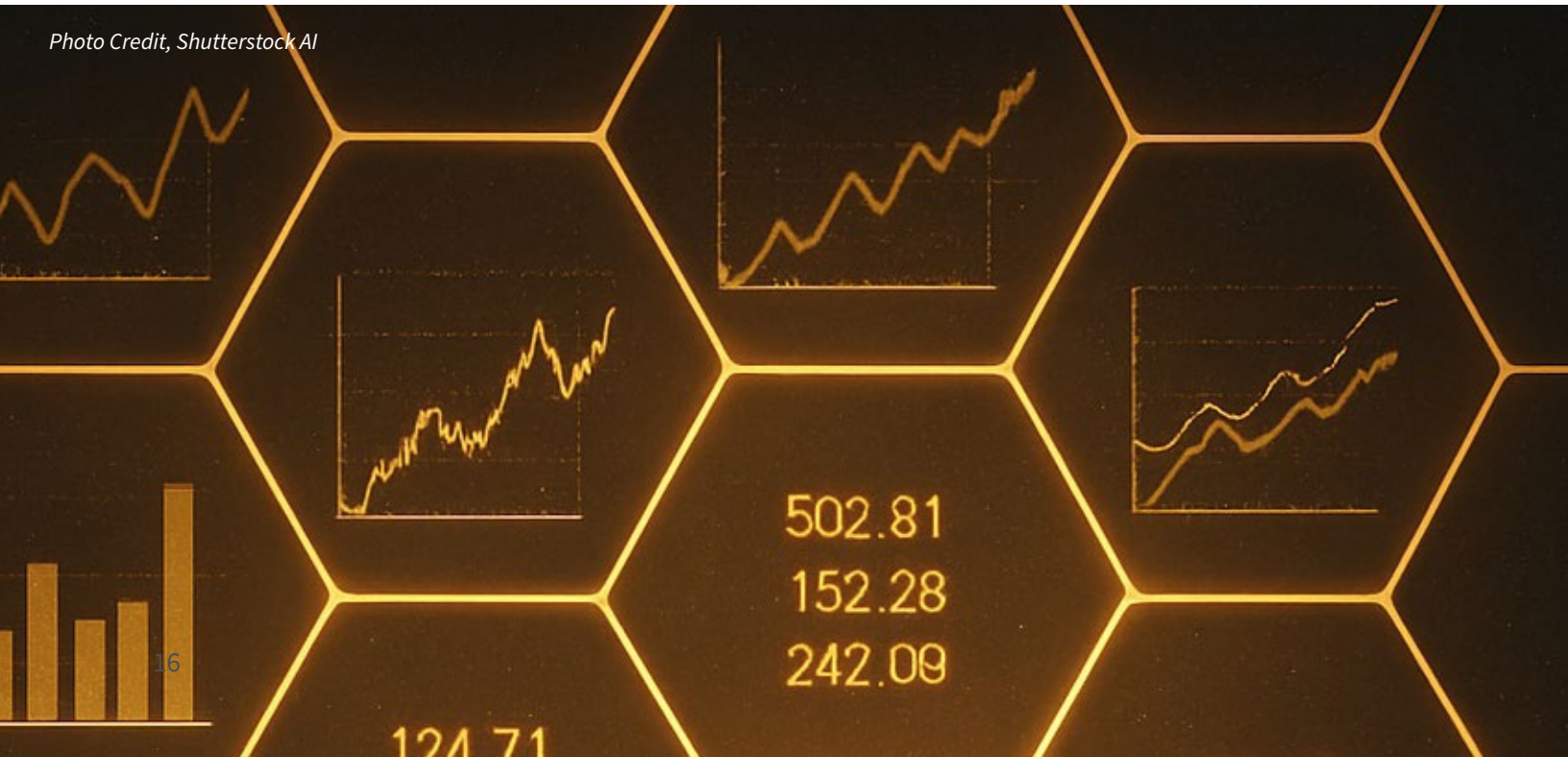
Tax Research and Planning Tools: Beyond the big research platforms, newer companies like Hive Tax AI are leveraging generative AI to change how tax pros conduct research. Hive Tax AI's "Ask Hive Tax AI" service uses a large language model trained on extensive tax law databases to answer tax questions with pinpoint citations. It can produce a memo-quality answer in seconds, highlighting the relevant passages from statutes, regulations, or case law. This lets practitioners get quick, explainable answers and then dig deeper via the cited sources – vastly speeding up tax research while maintaining confidence in accuracy. Such tools are increasingly used in law and accounting firms for issues like "does this scenario likely qualify for deduction X?" or "what are the key differences between two IRS rulings?". They combine natural language Q&A with a knowledge graph to surface related cases and materials, acting like a smart research assistant.

Bookkeeping and Finance Automation: A number of platforms for bookkeeping and finance operations use AI under the hood. For example, Vic.ai (accounts payable automation) uses AI to automatically code and approve invoices with minimal human input, learning from historical data. Botkeeper (an outsourced bookkeeping solution) touts AI-based transaction processing and reconciliation (with human review). Dext and Expensify use AI-driven OCR to extract data from receipts and bills – something that has become routine (scanning documents is a form of AI vision that's now standard in many firms). These tools may not have flashy chat interfaces, but they quietly apply AI to reduce manual workload in bookkeeping, expense management, and reconciliation. Even Sage, which provides accounting software, introduced AI features like Sage Intelligent Time that uses machine learning to analyze calendar and email data to suggest timesheet entries for professionals, and a Sage "AI Labs" exploring voice-driven accounting assistants.

Big Four and Large Firm Initiatives: Many large accounting firms have developed in-house AI solutions or partnered with AI providers. For instance, PwC US announced a $1 billion investment in AI in 2023, including rolling out ChatGPT Enterprise to tens of thousands of its employees. This gives their staff a secure, enterprise-grade AI chatbot to use on client work (with data encryption and no data leakage). PwC is also developing AI models for tasks like analyzing contracts or identifying tax planning opportunities. KPMG built an AI-based risk analysis tool for auditing (embedding AI in its "Clara" audit workflow platform) and is working with partners like IBM and Microsoft on AI solutions. Deloitte has an "AI Studio" and has been integrating AI into consulting and audit analytics (e.g. Deloitte's Argus, an AI tool, scans client contracts to flag issues). EY launched an initiative called EY.ai, even working on a proprietary large language model to be used firm-wide for secure AI assistance. These efforts often manifest as internal tools – e.g., a chatbot



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that helps professionals navigate the firm's knowledge base or an AI that reviews working papers for consistency. While not commercially available, they indicate how seriously firms are taking AI to augment their services. This also means when hiring or interacting with these firms, smaller practitioners should be aware that AI-augmented services might become a competitive differentiator.

Client-facing AI Tools: It's worth noting some AI tools are also client-facing but impact accountants' work. For example, IRS's AI initiatives (not covered in depth here) may eventually change how audits are triggered or how taxpayer correspondence is handled, indirectly affecting tax practitioners. Some tax prep companies have virtual assistants for end-users that tax pros should be familiar with. And financial planning apps are using AI to generate plans that clients might bring to their CPAs for discussion.

In summary, today's accounting and tax professionals have a broad array of AI solutions at their disposal. Many are likely using a combination of these: a general model like ChatGPT for quick Q&A or drafting, embedded AI in Office tools for productivity, and industry-specific platforms (tax research tools with AI, accounting software with AI features) for core technical work. The common theme is augmentation – these tools aim to handle grunt work (like data extraction, initial drafting, calculations) so that the accountant can focus on review and advisory. As one practitioner noted, the value of a firm can drop if it doesn't use AI – over half of surveyed accountants (56%) believe firms not adopting AI will see a decline in their competitive value. On the flip side, embracing these tools can enhance quality and client service, as they reduce errors and speed up processes. For example, Intuit reported that using AI to auto-fill tax forms can "save time and boost accuracy" for millions of returns. We are already seeing accountants who were once buried in spreadsheets now spending more time interpreting results and consulting with clients – with AI quietly handling portions of the workload in the background.

CHAPTER FOUR

Emerging Agentic AI Tools & Platforms to Watch

While generative AI is becoming well-established, the next wave is **agentic AI** – and a number of emerging tools promise to take automation in accounting to the next level. These agentic AI solutions can *autonomously execute entire workflows* or multi-step tasks, under human oversight. Below we highlight some of the most notable agentic AI tools and platforms that accounting and tax professionals should be exploring or preparing for in the near future:

Agentic AI systems integrate LLM "brains" with the ability to take actions (e.g., updating records, sending requests) autonomously. In accounting, this means routine processes – from data entry to report generation – can be delegated to an AI agent, with the human professional supervising and intervening only when necessary.

FloQast "AI Agents"

FloQast, known for its close management software, launched a suite of AI Agents in early 2025 to automate complex, recurring workflows in accounting departments. These agents are designed with finance professionals in mind and operate using natural language commands instead of requiring extensive coding. At launch, FloQast introduced three agents:

Journal Entry Agent: automates creation of journal entries (an example given is automating accrual entries from a procurement system, Coupa, into the ledger).

Data Transformation Agent: standardizes and transforms unstructured data for use in reconciliations, compliance, or reporting tasks. In practice, this could mean taking a messy CSV export and cleaning/categorizing the data appropriately for further analysis – tasks that often took staff hours in Excel now done by the AI.

Custom Agent: allows firms to create their own autonomous agents for workflows of their choosing. This is powerful – accountants can, for example, define a workflow for monthly close or expense approval, and the agent will be able to carry it out end-to-end.

These AI Agents work within FloQast's Transform platform, a new hub for building, testing,

and deploying such agents in a controlled manner. Notably, FloQast emphasized trust and governance: the solution is fully auditable (every action logged) and was built to comply with new AI management standards (FloQast obtained an ISO 42001 certification for AI management systems, being one of the first in the industry to do so). FloQast's CEO, Mike Whitmire, described the impact as "putting accountants in the driver's seat, shifting them from preparers to reviewers with AI automation built for their processes – fully auditable and designed for trust". The goal is to tackle staff shortages and heavy workloads by having AI handle substantial portions of closing the books, reconciliations, and analysis, while accountants oversee and focus on exceptions or insights. In the near future, FloQast plans to expand custom agents into areas like financial planning insights and compliance monitoring.

Fieldguide "Field Agents"

Fieldguide, which provides an advisory and audit platform, released Field Agents – agentic AI designed to autonomously execute entire engagement workflows in audit, risk advisory, and compliance engagements. This is an evolution of Fieldguide's earlier generative AI features (they had a "Field Assist" that could draft test procedures or pull insights from documents). The new Field Agents string those individual tasks into an end-to-end process. For example, consider an audit of a client: a Field Agent can automatically send the client a PBC (provided-by-client) list requesting necessary documents (using the firm's methodology to determine what's needed), then – as documents come in – the agent will perform audit test procedures, cross-reference data, document the evidence, and flag any issues or anomalies for human review. Essentially, it acts like a junior auditor that can do the grunt work of an audit program from start to near-finish, handing over a fully populated audit file for the human auditors to review and finalize. These agents operate semi-autonomously, always with professional oversight at key decision points (e.g., any significant findings are highlighted for a human to conclude on). Fieldguide's vision, as stated by their CEO Jin Chang, is that "the winning firms of tomorrow [will be] those who integrate AI to elevate their practitioners. Field Agents. .. fundamentally transform how audit and advisory firms grow and operate through the next decade". By orchestrating complex multi-step processes, these agents free professionals to focus on what matters: applying expertise and strengthening client relationships, rather than churning through paperwork. Field Agents was in limited beta in 2024 and by March 2025 reached general availability – even being named one of Accounting Today's Top New Products of 2025.

Thomson Reuters CoCounsel (Agentic Enhancements)

We mentioned CoCounsel in the current tools section as a generative AI platform. It's also relevant here because Thomson Reuters explicitly positions it as an agentic AI assistant for the tax, audit, and accounting profession. In late 2024, Thomson Reuters acquired Materia, a startup specializing in agentic AI for these domains. That technology is being integrated into CoCounsel. The result is an AI that not only answers questions but can take actions like assembling workpapers, performing calculations, and interacting with data sources. For instance, CoCounsel can read a stack of contracts in PDF and output a structured summary into Excel, then follow up by drafting notes or even populating a checklist based on those summaries. It leverages the trusted content of Checkpoint as well, meaning it can autonomously research an issue and compile a brief with citations without the user manually searching. While CoCounsel still requires a human to approve and use its outputs, it represents a step towards an agent that understands the context of professional work and can drive workflows. Thomson Reuters' investment here underscores their view that agentic AI is the next stage of value for professionals, beyond just answering queries. We can expect CoCounsel to expand its autonomous capabilities, perhaps eventually preparing drafts of tax returns or audit plans by itself for review.

Microsoft Copilot Studio & Dynamics 365 Agents

Announced in late 2024, Copilot Studio is Microsoft's toolkit for organizations to create their own custom AI agents. This is significant for accounting departments in industry (and the consulting firms serving them) because it means a company's IT or power users can craft agents that handle specific finance tasks – for example, an agent that monitors accounts receivable and automatically sends follow-up reminders to customers, or one that manages parts of the payroll process by interfacing with HR systems. Microsoft is also embedding ready-made agents in Dynamics 365 (their ERP/CRM suite). Specifically, they unveiled agents for finance, sales, and supply chain that can autonomously execute processes in those systems. A finance-focused example: an AI agent in Dynamics could do continuous budget monitoring – automatically flagging overspend in real time and making preliminary adjustments or recommendations to reallocate funds. Another could be an agent handling vendor invoice processing: receiving an invoice, matching it to a PO in Dynamics, flagging discrepancies, and even initiating payment, only involving a human if an exception arises. These are very relevant to corporate accountants and controllers.

KPMG “universal AI employees”

(via Investements like *Eva/Ema)

In October 2024, KPMG announced a minority investment in an agentic AI startup named Ema (Emerging Analytics) which is building “universal AI employees”. The idea of a universal AI employee is essentially a highly capable AI agent that could perform a variety of business tasks across domains (finance, HR, etc.) as if it were a human hire. KPMG’s vision is to use these to augment their teams across audit, tax, and advisory – and eventually to offer such AI capabilities to clients as well. While details are limited, this shows the Big Four’s commitment to agentic AI: they are literally investing in creating AI workforce members. It’s plausible that in a couple of years, KPMG could deploy an “AI tax assistant” to help prepare returns or an “AI audit assistant” to run routine audit procedures continuously in the background.

Other emerging solutions

There are numerous startups and projects in this space to keep an eye on. For example, companies working on AutoGPT and autonomous GPT frameworks have open-sourced tools that can be adapted to accounting use (though often these require technical expertise to fine-tune). In the small-business accounting space, we may see AI agents offered as virtual bookkeeping assistants that not only categorize transactions but also schedule payments and follow up on anomalies automatically. Another area to watch is agentic AI for financial analysis and CFO tasks – imagine an AI agent that can autonomously generate a full monthly management report: pulling data from accounting systems, performing variance analysis, drafting commentary, and compiling the PowerPoint for the CFO. Some fintech startups are indeed working on these autonomous reporting tools.

Reality check – maturity and adoption

It's important to note that most agentic AI solutions are very new in 2025. Accounting Today's tech editor observed that while there's great potential, "there are not a lot of agentic AI solutions right now that are fully production ready", with many still in experimental or limited-release phases. Early adopters are testing them, but widespread adoption will likely lag a year or two until success stories and best practices emerge. These agents also tend to handle specific tasks really well but are not yet "plug and play" for every process. Firms should approach them as an opportunity to pilot and learn. The direction, however, is clear: the AI community and leading vendors are heavily investing in agentic capabilities as the next step. So accountants should pay attention to announcements from their software providers and be ready to update workflows to incorporate AI agents once they prove stable.

The benefit of agentic AI, when it matures, is significant: it could automate many multi-step processes that currently consume staff hours – everything from timekeeping (one professor mused an agent could observe work and automatically record time by client/matter, potentially eliminating manual timesheets) to continuous audit testing (e.g. an agent could send audit confirmations and only involve humans for exceptions). It essentially shifts more of the execution burden to machines. Firms exploring these tools now (even in beta) will be ahead of the curve in figuring out how to supervise and collaborate with AI agents effectively. As Pascal Finette of Be Radical put it, "you can translate [agentic AI] into a tax practice – complex workflows which a human breaks into steps. .. all of this in theory agentic AI should be able to do for you". That theory is now starting to turn into practice.

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To prepare, professionals might consider: identifying repetitive multi-step workflows in their firm that could be good candidates for an AI agent; ensuring their data is digitized and accessible for AI to use; and training teams on at least the concepts of prompt engineering and supervising AI outputs. Those who have already embraced generative AI will find moving to agentic AI a smaller leap, since the interface is often similar (natural language instructions) – it's the scope of what the AI does that expands. In short, agentic AI tools are coming fast – some are here already – and they promise to further elevate accountants from doers of tasks to planners and reviewers of tasks that AI executes.

CHAPTER FIVE

Outlook for AI Adoption: Opportunities, Growth Drivers & Professional Sentiment

The outlook for AI in the accounting and tax profession in 2025 and beyond is extraordinarily promising, albeit with some challenges to navigate. Broadly, the trajectory suggests **accelerating adoption** driven by clear benefits and competitive pressures. Here we examine the opportunities AI presents, the factors driving growth, the potential challenges, and how professionals feel about these changes.

Opportunities and Benefits

AI offers a host of opportunities for accounting and tax firms, primarily in efficiency and enhanced value delivery:

Dramatic Efficiency Gains

By automating labor-intensive tasks, AI allows firms to do more with less. Routine processes that once took hours can be completed in minutes. For example, AI-assisted automation is saving accountants significant time – advanced AI users save ~30 more minutes per day than beginners, amounting to ~40 extra hours/year per employee. Across a firm, that translates to substantial capacity. One firm in Karbon's survey noted that with AI and the right systems, they grew 40-50% year-over-year without adding headcount. AI can work 24/7, handling tasks overnight (like running financial reports or checking data integrity) such that staff arrive to a "first draft" completed. This efficiency directly improves profitability on compliance work and frees time for more value-added services.

Error Reduction and Consistency

Machines, when properly configured, don't get tired or rush through work. AI can cross-verify calculations, flag inconsistencies, and apply rules uniformly, reducing human error. 68% of accountants in one poll were most excited about AI's potential for error reduction. For example, if an AI tool auto-checks every tax form field against source data, it might catch a discrepancy that a human might overlook on a busy day. Similarly, AI can ensure consistency in work papers and filings – using the same standards and logic every time. This can improve quality control and audit readiness.

Higher-Value Work and New Service

By offloading grunt work, accountants can spend more time on analysis, advisory, and strategic planning for clients. Agentic AI in particular aims to make compliance tasks (tax prep, audits, bookkeeping) more of a byproduct of ongoing automated processes. This enables accountants to shift their role: instead of being "number crunchers," they can act as strategic advisors interpreting the numbers. Many firms see AI as a way to finally allocate time to things they always wanted to do – deeper client consulting, proactive tax planning, data analytics insights, and so on – which can be new revenue streams. As Thomson

Reuters noted, AI presents an opportunity to elevate accountants from once-a-year preparers to year-round consultants engaged in strategic conversations with clients. Some firms are already marketing that they use AI to provide more timely insights (for instance, offering a service to monitor a client's financial health in real-time using AI, rather than just quarterly reviews).

Capacity to Handle More Work (Scalability)

With AI, firms can take on more clients or additional projects without a linear increase in staff. This scalability is crucial in an environment where talent is scarce and expensive. 65% of professionals were excited about AI's task automation potential specifically – meaning they see it as a way to scale routine work. By automating tasks, each professional can manage a larger portfolio of clients or engagements. This can translate to growth and higher revenues, especially for firms that price on value or fixed fees (they can handle more fixed-fee jobs with the same team). It also means during crunch times (like tax season or year-end close), AI can help prevent burnout by taking on some heavy lifting.

Better Client Service and Faster Turnaround

AI enables much faster processing of information. Clients will benefit from shorter wait times – e.g., getting a draft tax return back days sooner, or receiving answers to queries almost immediately with the help of AI-assisted research. With mundane tasks automated, accountants can be more responsive and spend more time interacting with clients. Firms can also potentially provide more real-time services. For example, an advisory firm might use an AI to continuously monitor a client's KPIs and send alerts or advice in real-time, rather than waiting for month-end figures. Wolters Kluwer points out that AI allows firms to be more proactive, focusing on higher-level functions and client relationships while the AI handles background tasks. Enhanced service leads to happier clients and stronger retention.

New Insights from Data (Analytics and Forecasting)

AI, especially machine learning, can detect patterns and trends in data that humans might miss. This can lead to new insights for clients – identifying cost savings, optimal tax strategies,

65% of professionals were excited about AI's task automation potential

or risk areas. Generative AI can even simulate scenarios (e.g., “How would the tax outcome change if X?”) quickly. As AI models become more integrated with firm data, they can highlight anomalies or opportunities (e.g., “Client A’s expense ratio is above industry benchmark – maybe discuss cost control”). These kinds of analytics-driven insights elevate the accountant’s advisory role. An example is using AI to analyze a client’s past financials and generate a forecast or even a draft budget for next year, which the accountant can then fine-tune with the client.

Competitive Differentiator

Firms that embrace AI can market themselves as tech-forward and efficient, which can attract clients (especially younger entrepreneurs who expect their advisors to use modern tools). There’s a branding advantage to being seen as on the cutting edge. Moreover, 76% of accounting professionals believe that new graduates are more likely to join firms that use AI and advanced tech – so AI adoption can also help in recruiting talent who want to work with the latest tools rather than grind with outdated methods. On the flip side, a majority (56%) believe firms that don’t adopt AI will lose value . So the competitive pressure is real – it’s becoming an expectation that a reputable firm leverages AI to be efficient and accurate.

Expanded Service Offerings

AI might enable firms to offer entirely new services. For instance, some firms are starting “AI consulting” services for their clients – advising them on how to implement AI in their finance or operations (since the firm gained experience internally). Others might use AI to perform continuous auditing or monitoring services – something that wasn’t feasible manually. AI could also help smaller firms punch above their weight, allowing them to compete for larger engagements (with the help of AI capacity) that previously only bigger firms could handle.

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Growth Drivers

Several factors are driving the growth of AI adoption in accounting:

Rapid Technology Advancement

The pace at which AI tech is improving is a key driver. New models are more powerful, and tools are becoming user-friendly and integrated. For example, upcoming models (GPT-5, Google Gemini, etc.) are expected to have better reasoning, bigger context windows (to handle entire large documents at once), and multimodal abilities (processing images, voice, etc.) , which will further expand what accountants can do with AI. As capabilities increase, ROI for adoption increases, making firms more eager to jump in. Continuous improvement also means that some concerns (like certain errors or limitations) get gradually mitigated, encouraging more use.

Talent Shortage and Labor Costs

As mentioned, the accounting profession is facing a talent crunch (many CPAs retiring, not enough new entrants). This makes automation not just nice-to-have, but necessary. Firms can't find enough staff for peak workloads, so AI becomes a lever to handle work. CFOs and firm partners are actively seeking tech solutions to maintain output with smaller teams. Additionally, labor has become more expensive; AI can be a way to control costs by increasing each employee's productivity instead of hiring more people.

Regulatory and Market Complexity

The tax and accounting world is not getting simpler. Each year brings new regulations (e.g., stimulus laws, international tax changes, new accounting standards like lease accounting etc.). Keeping up is challenging. AI can help monitor changes (agentic AI can continuously track tax law updates) and help professionals adapt quickly. Moreover, clients' expectations are rising for their advisors to handle complex issues quickly. AI provides an edge in dealing with complexity – for example, parsing thousands of pages of tax code or financial data to find a needle in a haystack. This drives adoption because those who don't use AI will struggle with the increasing volume and complexity of information.

Vendor and Platform Push

The major software providers in the industry are heavily pushing AI features (as we saw with Intuit, Thomson Reuters, Wolters Kluwer, Microsoft, etc.). When AI capabilities are built into the software a firm already uses (audit software, tax prep software, Excel, etc.), adoption naturally follows – often by default. For instance, if your tax software suddenly can auto-suggest answers via AI, practitioners will try it out because it's one click away. This vendor integration is accelerating AI use across even mid-sized and smaller firms, who might not have sought out AI independently. It's becoming an embedded part of upgrades and subscriptions they already have.

Cultural Shift and Success Stories

As more success stories emerge of AI delivering value (e.g., firms saving thousands of hours, or avoiding penalties thanks to AI catching an error), the cultural resistance erodes. The narrative is shifting from "Will AI take our jobs?" to "AI helps us do our jobs better." In late 2024, 85% of accountants expressed excitement or intrigue about AI – showing a major cultural acceptance. Firms that have positive experiences often share them in conferences or case studies, encouraging others. Additionally, younger professionals are often eager to use AI tools, and as they assume more responsibilities, they advocate for adoption internally.

Client Expectations

Clients themselves are hearing about AI (e.g., a CFO might ask their auditor, "Are you using AI to make this audit more efficient?" or a tax client might say, "I heard AI can help catch credits we might miss – are you using one?"). Being able to say "yes, we leverage AI as part of our service" can be important for client confidence. Conversely, anecdotally, some clients worry if their firm isn't using modern tools, they might be slower or less thorough. This client pressure, though subtle still, can drive firms to adopt AI to signal they're up-to-date. In the near future, we might even see RFPs or tenders for audit/tax services asking about AI capabilities as a differentiator.

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Regulatory Encouragement

While regulators are cautious about AI, they also see its potential. For instance, the IRS and PCAOB have not mandated AI, but they acknowledge data analytics and AI can improve audit quality and tax compliance. The AICPA and state societies are providing more training on AI, signaling it's something accountants should be doing. There's also the fact that regulators themselves may use AI (IRS in enforcement, SEC in fraud detection), which indirectly pushes practitioners to use AI in defense/preparation (like using AI to QC filings before submission). This creates a bit of an "arms race" to leverage AI on both sides of compliance.

Challenges and Concerns

Despite the optimism, there are challenges and headwinds to navigate:

Accuracy and Reliability (Hallucinations)

The foremost concern with generative AI is that it can sometimes produce incorrect or fabricated information with a confident tone. In accounting, accuracy is paramount – a small error can have large consequences (financial loss, compliance penalties, damaged credibility). While AI can reduce human calculation errors, it introduces the risk of AI-specific errors (like making up a tax code reference that doesn't exist, or misclassifying something it wasn't trained well on). Agentic AI carries this concern further: if an autonomous agent makes a wrong decision (say, books an incorrect journal entry or sends a mistaken communication), it could do so at scale before human oversight catches it, potentially amplifying errors. As one expert warned, an AI is not a deterministic calculator – "if you give an agent the ability to be creative . . . sometimes it might produce output A and sometimes output B . . . in accounting you don't want that when doing a tax form". The risk is applying AI in the wrong places without proper checks. Essentially, AI's tendency to occasionally "hallucinate" or be inconsistent is a big concern for tasks that require 100% precision.

Data Security and Privacy

Accounting and tax work deals with highly sensitive client data – financial records, SSNs/EINs, payroll info, etc. Sending this data to a third-party AI (especially a public model) raises confidentiality issues. Early on, some employees put confidential information into tools like ChatGPT, not realizing it could be seen or used to train the model further. This caused alarm. As of late 2024, around 70% of accounting professionals voiced concern over data security with AI (though this was down from an even higher number prior, indicating slight improvement). Privacy regulations (like GDPR or state privacy laws) also require careful handling of personal data – feeding data into an AI service could be considered a data transfer or processing activity that needs client consent or other safeguards. Firms worry about breaches – if an AI service is hacked, could their clients' data leak? There's also the issue of who owns the data or outputs once AI is involved (if you use a vendor's AI, do they gain any rights to the data patterns?). These concerns have made many firms hesitant to fully embrace cloud AI tools until enterprise-grade solutions (with encryption, no-training guarantees, etc.) came along. Indeed, one survey found 58% of finance execs said they did not yet have security policies or protocols in place for generative AI use, highlighting an area of risk – employees might be using AI without guidelines, potentially exposing data.

Ethical and Professional Responsibility Issues

The use of AI raises questions about ethics and professional standards:

Due Diligence and Responsibility

CPAs are bound to maintain professional due care and due diligence (for example, under AICPA standards and IRS Circular 230 for tax preparers). If an AI tool produces an answer or a tax position, the CPA cannot blindly rely on it. They must ensure it's reasonable. There's a concern that some might over-rely on AI without sufficient verification, which could breach their professional responsibilities. Guidance is emerging: for instance, a column in The Tax Adviser emphasized that using AI does not remove the obligation to exercise due diligence – firms should treat AI outputs as if they were from a junior staff member whose work needs review.

Bias and Fairness

AI systems can inadvertently introduce or reflect biases present in training data. In a tax/accounting context, this might be less about protected classes (as it is in HR or lending AI) and more about potentially biased decisions in, say, approving credit or flagging audits. However, consider an AI that is asked to decide which clients to focus on for additional services – if not careful, it might inadvertently base it on flawed logic. More directly, if AI is used in hiring or promotions (e.g., evaluating staff performance, which some firms might try), it could be biased. One scenario pointed out: letting AI make "moral" or subjective decisions like identifying top performers could lead to biased or unfair outcomes. Accountants have to be mindful of not inadvertently violating fairness or anti-discrimination rules through AI usage.

Client Consent and Transparency

Should clients be informed when AI is used in their work? Some firms openly advertise it as a plus, others worry clients might not like the idea of a "machine" handling their data or work. There's an ethical consideration on transparency – for example, if an AI drafts a memo that the accountant provides to a client, should the client know it was AI-assisted? The profession is still feeling this out.

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Independence

In audit, using a third-party AI service raises the question of whether that could impair independence (if the AI provider is also providing other services to the client, etc.). While not a common scenario yet, firms will need to vet AI vendors for conflicts.

Workforce Impact and Change Management

Internally, a challenge is how the workforce adapts. There are fears of job displacement, will AI eliminate certain roles? For example, 20% of those in operations/administration roles in firms expressed concern about the impact of AI on their future job security. Staff may worry that if AI automates their work, they'll be let go. While the prevailing view is augmentation (and indeed firms are more short-staffed than over-staffed), these fears can affect morale and adoption. Firms need to retrain staff for higher-level tasks and reassure them that AI is there to help, not replace them.

Another aspect is skill gaps – accountants need new skills. Not everyone is up to speed, especially those who are less tech-savvy. Firms report a training gap: only 37% of firms have actively invested in AI training for employees, meaning many professionals are self-teaching or possibly misusing tools. Overcoming the learning curve is a challenge. There's also potential resistance: a senior partner who's always done things a certain way might resist trusting an AI, or a staff might feel using AI is "cheating" at first. Overcoming cultural inertia requires strong leadership (as noted, leaders are generally more optimistic and can influence the team).

Initial Costs & Integration Effort

Implementing new AI systems can require investment – not just money, but time and effort. Some AI features come built-in (no extra cost), but others might require additional subscriptions or infrastructure (for instance, using an Azure OpenAI instance to ensure data privacy, which has associated cloud costs). Integration with existing systems can be a project – e.g., connecting an AI agent to your accounting software via APIs. Smaller firms might find this daunting without dedicated IT resources. There's also the cost of trial and error – time spent in pilot projects or evaluating tools. While ROI might be high, the upfront work is non-trivial. Moreover, if a firm made recent tech upgrades (say they just implemented a new ERP), they might have "change fatigue" and be slow to adopt another new tech like AI on top of it in the immediate term.

Regulatory Uncertainty

The regulatory environment around AI is still catching up. There's a possibility of new laws or professional standards on AI use in finance. For example, data privacy laws might restrict cloud AI usage unless certain conditions are met. Or auditing standards might eventually require disclosure of AI tools used. The AICPA and CPA Canada have released toolkits and reports on generative AI, but formal standards are not yet in place beyond existing frameworks. This ambiguity means firms must make judgement calls on best practices. Some might take a more conservative stance (limiting AI use) until clearer guidance arrives. Others charge ahead but with legal oversight.

Professional Sentiment and Readiness

Overall sentiment in the profession is cautiously optimistic:

High Optimism and Curiosity

The majority of U.S. accounting and tax professionals are intrigued by AI's potential. In Karbon's global survey for 2025, 85% of professionals said they are excited or at least positively interested in AI. This matches anecdotal evidence – many CPAs are sharing tips on LinkedIn about using ChatGPT, attending webinars on AI, etc. Professionals see that AI can eliminate drudgery from their jobs (like manually ticking and tying documents, or typing out the same email replies), which is quite welcome. The promise that AI can give them back time and reduce busy season stress is highly attractive.

Recognition of Need to Adapt

There is a growing recognition that adopting AI is not optional if one wants to remain competitive. As one accounting firm leader put it, those who fail to leverage AI risk becoming obsolete. In the Karbon report, 56% agreed that a firm's value will drop if it doesn't use AI. Many professionals now frame learning AI as part of their ongoing professional development – similar to how learning Excel was a must in the past, now learning to use AI is seen as crucial. The mindset is shifting towards "AI will not replace accountants, but accountants who use AI can replace those who don't."

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Lingering Caution and Skepticism

That said, accountants are by training skeptics – they like to verify. They want to see proven results and insist on maintaining checks and balances. A significant number still harbor concerns about risk (as detailed above). For instance, data from late 2024 showed about one-third of CPA executives had significant concerns about privacy/ethics/accuracy with AI, though that was down from 40% prior. Concern about AI causing a "decrease in human touch" in client service was noted by 47% (though also trending downward). This indicates a careful approach: accountants value relationships and judgement, and there is some worry that over-automation could make services feel impersonal or overly mechanical. The key will be using AI to enhance human interactions, not replace them – for example, using AI to gather client info so the accountant can spend the meeting discussing strategy (human touch remains, supported by AI prep).

Training and Upskilling Mode

Professionals seem eager to upskill. The AICPA, state societies, and firms have ramped up AI training offerings. CPA.com released a Generative AI Toolkit for accounting professionals in 2024, which includes guidance and use cases. Uptake of these resources is growing. Younger staff often become "AI champions" internally, showing senior colleagues new tricks. A positive sentiment is that AI skills can be a career booster – those who become proficient can differentiate themselves. We are even seeing job postings asking for experience with data analytics and AI tools, signaling career rewards for those who embrace technology. This is contributing to an attitude among many accountants that AI is more an opportunity for enrichment than a threat.

Ethical Commitment

Accountants take ethics seriously, and many express that AI must be used responsibly. In forums and articles, CPAs emphasize that professional judgement remains crucial and AI should not be seen as a free pass to abdicate responsibility. The community is actively discussing best practices. For example, there's sentiment that "AI can draft a tax memo, but a CPA must review every line and ensure it's correct and applicable". This cautious but proactive mindset will shape how quickly truly autonomous processes are allowed. Initially, "human in the loop" will be the norm, and most are comfortable with that.

Looking ahead, the sentiment is that AI will become an integral part of accounting work – much like computers and spreadsheets did – and those entering the profession are expected to be AI-proficient. In fact, educators are starting to incorporate AI into accounting curriculum (teaching students how to use tools, or at least discussing the implications). We may soon see a baseline expectation that new accountants know how to leverage AI for research or task automation, just as they are expected to know how to use Excel or accounting software

In conclusion, the outlook is that AI adoption in accounting and tax will continue to accelerate. Opportunities for efficiency and enhanced services are too significant to ignore, and early success stories are fueling a positive feedback loop. Growth drivers like tech improvements and market pressures ensure that AI's role will only increase. Challenges around accuracy, security, and ethics are real, but the profession is actively working on mitigation strategies (next section). The overall sentiment among professionals is optimistic with a prudent dose of caution – an ideal mix for thoughtful adoption. Accountants are not blindly jumping on the bandwagon; they are testing, verifying, and gradually integrating AI in a way that complements their expertise. As one expert noted, knowing where and how to use AI will be as important as the tool itself. The firms that manage this balance well stand to gain the most in the coming years.

CHAPTER SIX

Key Concerns & AI Risk Mitigation in Accounting

Despite the enthusiasm for AI, accounting and tax professionals are keenly aware of the risks and are taking steps to mitigate them. Here we discuss the key concerns – namely AI accuracy, data security, and ethical use – and how firms are addressing each.

Accuracy and "Hallucination" Risk

By far one of the biggest concerns is that AI systems may produce incorrect outputs. In a profession built on accuracy, an AI's mistake can have serious consequences. For example, a generative AI might confidently quote a tax law that doesn't exist or misinterpret a subtle nuance in accounting standards. This tendency to "make up information" (known as hallucination) is well documented . Moreover, AI outputs can be inconsistent – the same prompt might yield slightly different answers at different times, which is unsettling when consistency is required (like tax return calculations). Agentic AI amplifies this concern: if an AI agent is automating a multi-step process and it goes off-track due to a bad intermediate decision, the errors can cascade. Professionals worry about scenarios like an AI mis-classifying a transaction and then automatically posting it to books, etc.

Mitigations

Firms are instituting mandatory human review for AI-generated content. The prevailing best practice is to treat AI as a junior staffer: it can draft or execute, but a qualified professional must review, verify, and sign off before any AI output goes to a client or into final records. Many firms have formal or informal policies that AI cannot be used unsupervised. For instance, if ChatGPT drafts a tax advice letter, a manager reviews every assertion against actual tax law references. If an AI agent populates a tax return, the tax preparer goes through it line by line (which is easier when most entries are done, akin to reviewing staff work). In audit, any findings by an AI are double-checked by the audit team. Essentially, the human remains accountable for accuracy, and AI is an assistive tool. Training is being provided to help staff learn how to spot AI mistakes – for example, recognizing the tone of a hallucinated answer (often overly verbose or generic) or cross-verifying any cited facts.

Another mitigation is using AI that provides sources or explanations. Tools like Hive Tax AI's tax Q&A explicitly give source references. Thomson Reuters' CoCounsel connects to Checkpoint so that answers are grounded in actual research . This allows the professional to easily verify the accuracy by checking the cited laws/cases. If the AI can show why it gave an answer (via links to authoritative content or calculations), the accountant can trust but verify. When sources are lacking (like a pure LLM answer), the motto is "trust but verify – or just don't trust until verified." Accountants often run secondary checks: e.g., if ChatGPT gives a numeric result, they might run a quick manual calc on a sample to ensure it adds up.

Firms are also limiting AI use to appropriate areas. They identify which tasks are safe for AI and which are not. For example, using AI to draft a client email or summarize a piece of legislation – low risk, as the professional will edit it. But using AI to make a final tax decision without human vetting – not allowed. Some have created checklists for AI use: e.g., "If AI is used to assist in preparing a tax return, a human must review all key fields and attachments. AI suggestions for tax positions must be corroborated with actual code/regs." This structured approach helps ensure no critical step is left solely to AI where accuracy is imperative. Over time, as confidence grows in certain AI processes (perhaps through consistent results), these rules might relax, but for now caution is the norm.

Finally, the technology itself is improving accuracy. New versions of models are being trained to reduce hallucinations and arithmetic errors. Firms might choose enterprise AI solutions that have higher reliability or domain-specific training (like an AI model fine-tuned on only tax law, which will be less likely to stray into incorrect assertions outside its domain). Some firms even explore running their own models on their vetted data to avoid the unpredictability of a general model.

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Data Security and Confidentiality

The concern here is twofold: protecting sensitive data from breaches/leaks, and complying with privacy/confidentiality obligations. Accountants handle personal identifiable information (PII) and other confidential client info daily. If using an AI service improperly, one might inadvertently upload a client's financials to a third-party server, which could be a violation of client confidentiality (per ethical rules) or pose a security risk. Early high-profile cases of employees pasting confidential info into ChatGPT raised red flags industry-wide.

Mitigations

Many firms have implemented strict policies on AI data usage. Common policy elements include:

No client-identifiable data in public AI tools: Staff are instructed not to paste or upload any client names, SSNs, financial statement details, or other sensitive data into free or public AI services. Some firms even monitor or technically block access to such services on work devices to enforce this. If they want to use AI, they must anonymize the data (e.g., change names to generic placeholders) or use dummy data.

Use of secure, enterprise AI platforms: Increasingly, firms are opting for enterprise-grade solutions where data is encrypted, not used for training, and stays within a controlled environment. For example, many have moved to ChatGPT Enterprise or Azure OpenAI which promises that prompts/data are not retained or seen by OpenAI for model training. Similarly, some are using private cloud instances or on-prem versions of models. By using these, they can leverage AI on real client data with much lower risk. PwC's deal to use ChatGPT Enterprise for its staff is an example of addressing security by using the right platform.

Hosted vs. proprietary AI distinction: As discussed in the Tax Adviser piece, firms recognize different types of AI systems: proprietary internal AI (fully within firm's firewall), hosted third-party AI (like Hive Tax AI, which doesn't ingest client identities), and public LLMs (like open ChatGPT) . Many are steering toward either the proprietary or the hosted models that ensure no client identifiers are exposed. For instance, with Hive Tax AI's hosted tax AI, users input redacted facts (no names), and Hive Tax AI does analysis without ever seeing the actual client identity – this is a model for how to use external AI ethically.

Encryption and Access Controls: When AI is integrated into workflows, firms are ensuring data is encrypted at rest and in transit. They work with vendors that comply with standards like SOC 2, ISO 27001, etc. FloQast's obtaining of ISO 42001 (AI management system standard) is notable – it shows a commitment to managing AI with the same rigor as other information security. Firms can rely more on vendors who have such certifications because it indicates structured processes around AI data governance.

Limited Data Scope: Another strategy is limiting what data AI has access to. For example, if an AI is used for internal knowledge management, the firm might feed it only sanitized data or generalized learnings, rather than raw client data. Some audit firms have tools that use AI on workpapers that exclude any client personal data (like focusing on numerical analysis only).

Audit Trails and Monitoring: To mitigate risk, firms ensure that AI actions are logged and traceable (auditable). If an AI agent accesses data or changes something, there's a record. This is critical for investigations in case something goes wrong, and also to reassure that nothing sneaky is happening. An auditable log (like FloQast's AI keeping detailed logs of every step) also helps in verifying that data wasn't misused.

Training and Awareness: Employees are being trained on the importance of data security in AI use. Real stories of breaches or mistakes (often anonymized) are shared to underline "why we don't do X." As a result, accountants are becoming more savvy: e.g., they might use AI to draft a letter, but they'll either use fake info in the prompt or do it in a secure environment. They're also taught to strip metadata or sensitive details from any data before using it in AI, if applicable.

In essence, firms treat AI vendors like any other vendor handling sensitive data – they do due diligence, NDAs, security reviews, and contractually ensure confidentiality. If those conditions can't be met (like with a generic public tool), they restrict usage accordingly.

Data Security Migigation Strategies

No client-identifiable data in public AI tools

Use of secure, enterprise AI platforms

Hosted vs. proprietary AI distinction

Encryption and Access Controls

Limited Data Scope

Audit Trails and Monitoring

Training and Awareness

Ethical Use and Professional Standards

We touched on some ethical aspects under challenges. Mitigation here is about establishing frameworks and guidelines so that AI is used in compliance with all professional obligations and in a fair, responsible manner.

Mitigations

Professional bodies and firms are actively developing guidelines for responsible AI use:

The AICPA and CPA Canada released reports outlining how generative AI can be used ethically and the pitfalls to avoid. They tie these to existing professional standards like the AICPA Code of Professional Conduct and Statements on Standards for Tax Services (SSTS). For example, SSTS No.1 on due diligence is being interpreted to cover AI oversight . Essentially, reliance on AI is treated as reliance on any staff or external service – permissible only if one has a reasonable basis and supervision in place .

Firm-level AI ethics committees or working groups: Some larger firms have set up committees to oversee AI implementation and address ethical issues. These groups include partners from risk management, IT, legal, and practice areas. They review things like: should we use AI for this task, does it breach any independence, how do we ensure no bias. They might approve certain tools and disallow others.

Bias mitigation: If firms use AI for any analytical or decision purpose, they often do testing to see if there's bias. For instance, before using an AI to screen potential hires for an accounting role, a firm might test it with dummy profiles to ensure it's not favoring or weeding out certain groups inappropriately (though hiring tools are outside pure accounting, some firms may consider AI for internal HR too). In client services, bias might be less direct, but consider AI selecting transactions for audit – they ensure it's not inherently biased (other than risk-based, which is acceptable). Using diverse training data and explicitly instructing the AI (via prompt or fine-tuning) to avoid biased criteria is part of mitigation.

Maintaining Human Judgment: Ethically, firms underscore that AI outputs are not "answers" but "assistance." They train staff to maintain professional skepticism even with AI. The phrase "AI is a tool, not a decision-maker" is reiterated . This mindset helps ethically – it means a human is always making the final judgment call, which aligns with professional accountability. For instance, if an AI suggests a certain tax position, the tax partner must still judge if it's appropriate and defensible. If an AI flags certain transactions as suspicious under AML rules, the compliance officer reviews them and makes the final call on reporting.

Client Consent and Transparency: While not widespread yet, some firms choose to inform clients about their AI use policies. Especially in engagement letters, there may be language about the use of third-party cloud tools (including AI)

and the safeguards in place, effectively obtaining client consent. A few firms highlight AI as part of their value proposition to clients, explaining how it benefits them (faster service, lower fees due to efficiency, etc.). If any client is uncomfortable, the firm could agree not to use AI on their engagement or ensure an alternative approach. So far, there haven't been regulatory requirements to disclose AI usage, but being transparent can be part of ethical best practice to maintain trust.

Scope of AI Use: Ethically, firms ensure AI is used only within the scope of services agreed. For example, if a firm is engaged to do an audit, they wouldn't use the client's data to train an AI model for other purposes without permission – that could be seen as misuse. They also ensure AI doesn't stray into practicing law (e.g., giving legal conclusions if they are not lawyers) or other areas that could be beyond their professional scope.

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Quality Control and Auditability

Another concern is ensuring that the use of AI doesn't undermine the ability to provide evidence and maintain quality control (especially in audit or tax prep, documentation is crucial).

Mitigations:

Audit trails: As mentioned, having AI actions and decisions logged is key. If an AI agent prepared something, the log serves as documentation of what was done (and can be reviewed as part of quality control). It's similar to having a workpaper. Some AI tools create a "reasoning trace" (for instance, an agent might keep notes of each step it took, which can be reviewed). Fieldguide's Field Agents, for example, integrate into the firm's methodology, meaning everything the agent does is documented as if a staff had done it in the software . This helps maintain compliance with standards that require documentation of work performed.

Parallel Testing: Early in adoption, some firms run AI results in parallel with traditional methods as a test. For example, they might let AI do an analysis but also have a staff do it independently; if results match over time, confidence builds. During this phase, any discrepancies are studied to refine either the AI or the process. This builds a controlled environment to catch issues before fully relying on AI.

External guidance and peer sharing: The profession is collectively learning. Organizations like CPA.com have toolkits; CPA Practice Advisor, Journal of Accountancy, and Accounting Today regularly publish articles with tips on how to use AI carefully. For instance, tips like "Don't use AI for novel or judgment-heavy areas – stick to it for routine tasks" or "Always double-check critical numbers generated by AI" are being disseminated. By following community best practices, firms mitigate a lot of risk.

Continuous Review and Feedback: Implementing AI is not "set and forget." Firms are treating it as an iterative process. They gather feedback from staff on AI tool performance, track any incidents (like "AI gave a wrong answer here – let's report that to the vendor and warn the team"), and update their approaches. Over time this should improve reliability and trust.

Legal Liability and Regulation

Who is liable if AI causes an error? Ultimately the firm or professional is – but there may be legal questions if, say, an AI software had a bug that led to a big mistake.

Mitigations

Engagement Letters and Disclaimers: Some firms are preemptively updating engagement letters to clarify that they may use tools and that they still exercise judgment. If something does go wrong, those letters plus professional liability insurance should cover it similar to any error (AI isn't typically excluded, but firms are checking policies).

Vendor Contracts: Firms ensure that AI vendor contracts include remedies if the software fails to perform as promised. However, many AI vendors will limit liability in their contracts, so firms know they can't just blame the vendor – they must have their own safeguards.

Staying Updated on Regulation: As regulators like the SEC, PCAOB, IRS, or state boards of accountancy issue guidelines on AI, firms keep an eye out. For example, if the IRS were to issue rules on using AI for tax prep, firms would immediately adapt to comply. By proactively participating in industry discussions (some firm leaders sit on AICPA committees working on AI issues), the profession is trying to shape sensible guidelines that protect the public without stifling innovation.

In practice, how do these mitigations look combined? Let's walk through a mini-scenario: A CPA firm uses an AI assistant to help prepare a corporate tax return. They upload the client's trial balance and transaction data to the AI which is hosted in a secure environment (ensuring confidentiality). The AI suggests tax treatment for various items and fills draft forms. The preparer then methodically reviews each suggestion, checking any that seem unusual against the tax code (the AI provided code references for most positions, making it easier to verify). The preparer corrects a couple of AI misclassifications (perhaps the AI wasn't fully up to date on a niche new tax credit and misapplied it). Once satisfied, the return is passed to a manager. The manager notices the AI left a certain schedule blank – upon investigation, it turns out the AI wasn't aware of a specific state filing requirement. The team fills that manually and also informs the AI vendor about this gap. They deliver the final return to the client, perhaps noting that advanced software was used and everything was reviewed for accuracy. Internally, they document that AI assistance was used, and note any adjustments they had to make. Over time, that documentation serves to improve the AI's performance (either through vendor updates or the firm deciding how to prompt the AI better to include the state schedule next time). Throughout, client data stayed secure, the CPA exercised due diligence (review and verification), and the end result met the high accuracy standard required.

The bottom line is that mitigation strategies largely revolve around maintaining human

control and oversight, using secure platforms, and aligning AI use with existing professional standards. As one expert nicely summarized, "You've got to use these tools and understand their strengths and weaknesses . . . They think [AI] will solve everything, but it solves specific sets of issues – knowing where and how to use it will be important." In other words, educating everyone on appropriate use is the ultimate mitigation.

The accounting profession is treating AI adoption with the same rigor it treats adopting a new accounting standard or a new audit methodology – with testing, internal control, and continuous improvement. This careful approach is aimed at unlocking AI's benefits while minimizing risks to acceptable levels. Given the trend, we can expect even more robust frameworks to emerge (possibly even industry standards for AI use in accounting) that will further codify these mitigation practices.

In conclusion, AI adoption in the U.S. accounting and tax profession is well underway and set to deepen. We've traced its evolution from early days to the current landscape of tools and the nascent agentic AI frontier. The profession stands at a point where the question is no longer "if" or "when" to adopt AI, but "how" to adopt it responsibly and effectively. With a clear understanding of the technology's waves, knowledge of the tools at hand, awareness of what's coming, and a balanced approach to opportunities and risks, accounting and tax professionals can confidently navigate the AI era. The overarching theme is augmentation, not replacement – AI is poised to handle the heavy lifting of data processing and routine analysis, empowering accountants to focus on insight, strategy, and client service like never before. Those who embrace this partnership between human expertise and artificial intelligence will likely find themselves at the forefront of a more efficient, insightful, and competitive profession in the years ahead.

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