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Artificial intelligence could make filing less taxing

Martin Daks (https://njbiz.com/author/martindaks27/) // January 8, 2024 #naib

Last month, Marcum LLP launched AskMarcum.ai (https://www.askmarcum.ai/), a generative artificial intelligence tool powered by Microsoft Azure OpenAI Service. It enables Marcum professionals to easily access a wide range of resources by simply asking questions, according to Peter Scavuzzo, Marcum's chief information digital officer and CEO of Marcum Technology.

“Developed by Marcum Technology (https://www.marcumllp.com/services/advisory/technology-consulting)’s innovation incubator, Marcum Labs (https://www.marcumllp.com/services/advisory/technology-consulting/marcum-labs), this new tool combines a user-friendly interface with the power of

AskMarcum.ai, and will enhance communication, knowledge sharing, and problem-solving,” he said. “AI is evolving at an unbelievable pace, and it will ultimately make it easier for business owners to interact with their CPA advisers.”

Scavuzzo said AI will introduce QuickBooks or TurboTax on steroids for companies — but will not replace humans (<https://njbiz.com/as-accounting-firms-embrace-ai-should-humans-be-worried/>). “AI can enhance recordkeeping and tax preparation for businesses and their advisers, but you still need a human to guide and double-check the process,” he explained. “That’s because AI is still something of a ‘black box,’ where its decisions are not always transparent. If I ask an AI-powered tool a question five times, I may get five different answers, so you can’t just blindly accept its answers.”

That means that auditors will have to keep on their toes, he added. “They’ll have to consider how AI is used by clients when they prepare their books and records. CPAs started by auditing financial statements, and then expanded the audits to include issues like cybersecurity controls. Now it looks like they’ll have to eventually develop AI-audit standards, too.”

The new normal

AI will eventually become “table-stakes” for just about every company, according to Scavuzzo, but humans will still have the last say. “If an IRS agent asks why a business treated a transaction in a certain way, for example, you can’t just point at a chatbot,” Scavuzzo said. “You still need a person to explain the decision-making process.”

Other experts agree that AI will be a game-changer for the accounting profession.

“Eventually, SMBs [small- and medium-sized businesses] will interact with AI-powered chatbots as part of their tax preparation,” according to EY Americas (https://www.ey.com/en_us) Tax Technology and Transformation Leader Daren Campbell. “Traditional and generative AI is already being used to some degree in tax preparation and, eventually, tax advisers that use it will replace ones that do not.”

Campbell

One of the reasons that AI boosts efficiency is because it “can help to bridge the gap between structured and unstructured data,” Campbell explained. “Traditional analytics needs data to be presented in rows and columns, but that’s not as necessary for an AI-powered tool. It’s sort of like being able to hand a shoebox of documents to your CPA and letting him or her sort them out. But AI can do it a lot quicker.”

As an example, he noted, “We’re seeing smart OCR [optical character recognition] technology infused with AI so it can read invoices and contracts. Let’s say your business bought a desk — in preparing a tax return, a preparer would typically have to determine the asset class and then consider the allowable depreciation method. AI can do that in a split second. If you’re talking about sorting through multiple receipts and purchases, an AI-enabled tool can save a great deal of time.”

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AI will also be able to assist CPAs with tax planning for businesses and individuals, potentially identifying opportunities that may otherwise be overlooked, he added. “Eventually, an AI-powered tool may be able to scan newspapers and other external sources for mentions of the client’s name, and then determine whether it’s appropriate to take a deduction for, say, entertainment expenses. AI can also quickly scan for year-to-year comparisons and other analytics that may help a company to reduce its risk of a tax audit. Of course, tax authorities will also be using these techniques, so the risk of an audit or other review may not decrease significantly.”

Ultimately, Campbell said, AI will “enable EY and other firms to deliver more value to clients and reduce risk by taking care of repetitive tasks, freeing us to devote more time to advising on business planning and strategy. But AI does not yet have the judgment capabilities that humans do — consider the recent example of two New York lawyers who submitted a legal brief that included six fictitious case citations that were generated by an artificial intelligence chatbot. So, you still need human oversight.”

Despite that caveat, Campbell is bullish on AI. “Until now, advisers have tended, to some degree, to be like archeologists, digging through past transactions and determining the appropriate tax treatment,” he said. “But AI will enable us to be more strategic, advising on issues like supply chains and corporate organizational efficiency, and how taxes come into play. It will transform advisers as well as clients.”

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