

The Impact of AI on Tax Professionals

with Peter Purcell and Todd Boutte



Who We Are

Trenergy eliminates inefficiency through non-traditional consulting.

We are based in Houston, TX, and focus on helping fast-growing Energy, Manufacturing, and Distribution companies take advantage of improved processes, fit-for purpose organizational structures, and technology to provide immediate and measurable value.

Why Listen to Us?

We have been on the forefront of helping companies evaluate and use Artificial Intelligence (AI) to create efficiencies within Finance, Accounting, and Operations.

Why Does This Matter for You?

AI will affect how tax practices and departments operate by automating routine tasks, improving accuracy and compliance, enhancing security, improving client services, and making overall operations more efficient.



AI Today

What Is It?

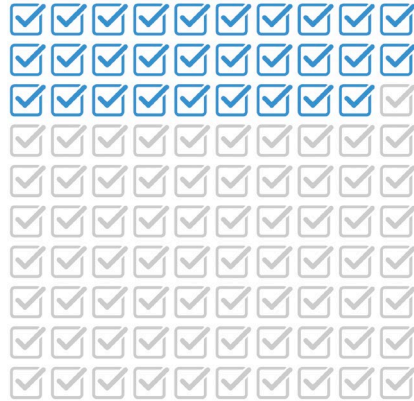
AI refers to the simulation of human intelligence in machines, enabling them to perform tasks that require human thought processes (e.g., problem-solving, decision-making, learning).

AI can process vast amounts of data quickly, learn from it, and make decisions, often surpassing human accuracy and efficiency. This capability has led to innovations in various fields.

Why Is This Important?

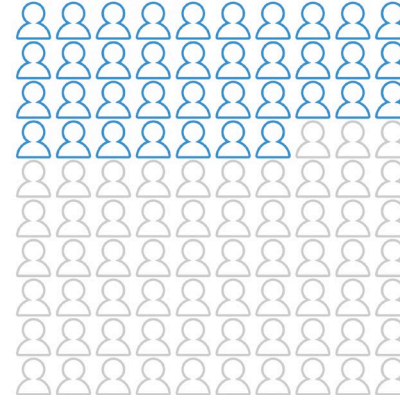
- It's more accessible than ever before (ChatGPT, Bard, Watson, Karas, etc.)
- It's sneaking into every industry
- It's become an inseparable part of the workforce
- The more you know now will help you take better advantage of AI in the future

Facts & Figures



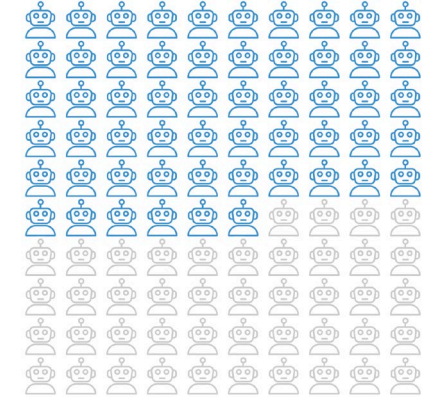
Employees say that 29% of their work tasks are replaceable by AI.

(Asana)



More than 37% of business leaders say AI replaced workers in 2023.

(CNBC)



56% of workers are already using generative AI on the job.

(The Conference Board)

While research and data analysis are in line for AI automation, companies will still need someone to prompt the AI, make sense of the results, and take action. (CNBC)

"AI is cropping up in the agriculture industry"

Forbes

"Ex-Trump lawyer unwittingly sent AI-generated legal cases to his attorney"

Bloomberg

"AI auto lending reduces risk and bias"

Automotive News

"Newspaper giant pauses AI-written articles after social media mockery"

Business Insider

"ChatGPT aces CPA exam"

CFO Dive

"The future of recycling is AI"

The Atlantic

"New York Times sues Microsoft and OpenAI over copyright infringement"

CNBC

AI in the News

"AI technology lets you talk to Jesus or Satan"

CNN

"AI fused with trade data may smooth supply chains"

Bloomberg

"AI for waste management in smart cities"

SpringerLink

"Are you prepared to be interviewed by an AI?"

Harvard Business Review

"AI language model for wealth management"

Bloomberg

"US Air Force to build 1,000 AI-driven unmanned combat aircraft"

Business Insider

"Onboard AI solutions driving safety forward"

Waste Advantage Magazine

Benefits of AI for Tax Professionals

Efficiency & Automation: AI can automate routine tasks, reducing manual efforts and errors, leading to more efficient processes.

Data Analysis: AI-enhanced data analytics capabilities will help tax professionals derive insights from vast amounts of financial data, detect patterns, and make more informed decisions.

Fraud Detection: AI-driven systems can enhance the security of tax processes by identifying unusual patterns that may indicate fraud, errors, or evasion, thus safeguarding sensitive financial data.

Client Interaction: When used in conjunction with human expertise, AI tools can improve client interaction by providing quick responses to queries to improve customer service.

Competitive Advantage: Adopting AI in tax functions can give companies an edge over competitors in terms of speed, accuracy, and strategic decision-making.

Regulatory Compliance: AI can analyze data with high precision, reducing the likelihood of errors. This capability is important for ensuring compliance with complex and ever-changing tax regulations.

Cost Savings: By automating tasks and reducing errors, AI can lead to cost savings in the long run.

Real-Time Updates: AI systems can be updated in real time to reflect the latest tax laws and regulations, ensuring tax practitioners and departments are always up to date.

Awesome, but... AI creates:

Bias Issues: If data used to train AI models contains biases, the AI system can perpetuate or amplify these biases.

Loss of Privacy: Information shared with most AI tools ends up in the public domain.

Job Displacement: Automation through AI could render certain jobs obsolete.

Security Concerns: AI systems can be used to create malicious deepfakes that are difficult to detect.

Ethical Concerns: AI may be used to make recommendations or decisions in sensitive areas like healthcare or criminal justice.

Dependency: Over-reliance on AI systems can reduce human skill levels and lead to an inability to perform tasks without technological assistance.

Transparency & Accountability Issues: Many advanced AI models, especially deep learning models, act as "black boxes," making it hard to understand how they arrive at specific decisions, which complicates accountability.

Safety Concerns: In areas like autonomous driving or robotics, AI malfunctions could have direct safety implications.

Existential Risks: A superintelligent AI could act in ways that are harmful to humanity if not properly aligned with human values.

Compliance & Accuracy Concerns

The Tax Professional's Responsibility

Tax professionals operate in a complex regulatory environment with constantly changing tax laws and reporting standards. Accuracy is paramount. Even minor errors can lead to significant financial repercussions, audits, or legal issues for clients.

What to Look Out For

AI does not provide fully accurate or true information 100% of the time. When tax law, reporting, and regulatory compliance are involved:

- Use discretion
- Double check the facts
- Educate your team

It's all about protecting:

1. The company
2. You as a tax professional
3. The tax group as a whole

Why?

- AI is powerful and can be useful, but it's not infallible.
- AI is sneaking into your company at an increasing rate.
- Employees might think they'll be tax professionals by using ChatGPT. But responses are not always completely correct.
- You can use ChatGPT, but double check the results. It has learned from information that isn't current, so current tax rules/rulings may be missed.

ChatGPT

Tips for getting started

Ask away
ChatGPT can answer questions, help you learn, write code, brainstorm together, and much more.

Don't share sensitive info
Chat history may be reviewed or used to improve our services. Learn more about your choices in our [Help Center](#).

Check your facts
While we have safeguards, ChatGPT may give you inaccurate information. It's not intended to give advice.

[Okay, let's go](#)

Work with your organization to:

Understand AI Basics: Gain a foundational grasp of AI's capabilities and limitations.

Set Clear Objectives: Determine the specific goals and intended outcomes of AI integration.

Establish Governance: Create a governance framework with policies and guidelines for AI usage.

Perform Risk Assessments: Evaluate potential pitfalls, inaccuracies, or vulnerabilities introduced by AI.

Ensure Data Integrity: Prioritize the quality of data used to train and inform AI models.

Monitor Compliance: Stay updated with relevant regulations and ensure AI systems are compliant.

Provide Training: Equip teams with knowledge and skills to effectively use and manage AI tools.

Implement Regular Audits: Set up periodic checks on AI performance, outcomes, and ethical considerations.

Maintain Collaboration: Foster a strong relationship with IT and other departments for secure and effective AI deployment.

Plan for Contingencies: Have backup processes in case AI systems malfunction or produce unintended results.

Emerging & Future Trends

- Enhanced understanding of human language (verbal conversations with ChatGPT)
- Advanced predictive models for forecasting
- Tailored tax advice
- Automated compliance monitoring
- Seamless integration with business systems for more efficient workflow
- Increased accessibility for small businesses
- Focus on ethical AI
- Advanced security protocols to protect against data breaches and cyber threats

In Summary

- ✓ **AI Is Here and Is Not Going Away:** AI has become an integral part of the modern business landscape, offering unprecedented capabilities and efficiencies.
- ✓ **AI Has Great Potential That Needs to be Harnessed:** Leveraging AI's capabilities can drive innovation, optimize operations, and create competitive advantages.
- ✓ **You Have an Obligation to Oversee How AI Is Used:** As a tax professional, there's an inherent duty to ensure AI is utilized ethically, accurately, and in compliance with regulatory requirements.
- ✓ **Strategic Transformation:** By responsibly integrating AI, tax professionals can transcend traditional roles, becoming more strategic to guide the company's future.

ChatGPT and This Presentation



You

What would be some good topics or talking points to highlight in a 30-minute presentation talking to sole proprietors and tax practitioners in smaller offices about chatGPT/AI?



ChatGPT

When preparing a 30-minute presentation for sole proprietors and tax practitioners in smaller offices about ChatGPT and AI, you should focus on topics that are relevant, informative, and engaging. Here are some key talking points:

1. **Introduction to AI and ChatGPT:** Briefly explain what AI is and how it works, focusing on language models like ChatGPT. Highlight its evolution and capabilities.
2. **Benefits of AI in Business Operations:** Discuss how AI can streamline business processes, improve efficiency, and reduce costs. Emphasize time-saving aspects and error reduction in repetitive tasks.
3. **AI in Tax Practice and Accounting:** Explore specific applications of AI in tax and accounting. This could include automating data entry, analyzing financial documents, or providing quick answers to common tax questions.
4. **Enhancing Customer Service with AI:** Explain how AI, like ChatGPT, can assist in customer service, providing quick responses to client inquiries, and enhancing the overall client experience.

5. **Compliance and Accuracy:** Discuss how AI can help in ensuring compliance with tax laws and regulations, and how it can contribute to accuracy in financial reporting and tax calculations.
6. **Ethical Considerations and Privacy:** Address concerns about data privacy, ethical use of AI, and the importance of maintaining confidentiality in financial matters.
7. **Integrating AI into Existing Systems:** Offer insights on how small offices can integrate AI tools like ChatGPT into their existing workflows and systems.
8. **Future Trends and Developments:** Talk about emerging trends in AI and what the future might hold, particularly in relation to tax practice and small businesses.
9. **Practical Demonstrations:** If possible, include a live demonstration of how ChatGPT or similar AI tools work. This can be particularly engaging and illustrative for your audience.
10. **Q&A Session:** Reserve time for questions and answers. This not only provides clarification but also engages your audience directly.

Remember to tailor your content to your audience's level of familiarity with technology and AI, and use examples and analogies that are relevant to their field. Visual aids like slides or videos can also be very helpful in making complex concepts more understandable.

ChatGPT and This Presentation



You

What would be some good questions to ask you to demonstrate ChatGPT for this audience?



ChatGPT

To effectively demonstrate ChatGPT to an audience of sole proprietors and tax practitioners, you would want to ask questions that showcase its capabilities in understanding, responding, and providing useful information in the context of tax practices and small business management. Here are some example questions:

1. General Tax Inquiries

- "Can you explain the difference between a standard deduction and an itemized deduction?"
- "What are the current IRS guidelines for home office deductions?"

2. Scenario-Based Questions

- "How should a sole proprietor record a business expense for tax purposes?"
- "If a client received a 1099-NEC form, what does that mean for their tax filing?"

3. Regulation Updates

- "Can you provide a summary of the latest tax law changes that impact small businesses?"
- "What are the new tax filing deadlines for this year?"

4. Software and Tools

- "What are some recommended accounting software tools for small business owners?"
- "How can AI be integrated into existing tax preparation software?"

5. Client Communication and Management

- "What are some effective ways to communicate complex tax information to clients?"
- "Can you suggest strategies for managing client appointments and reminders?"

6. Ethical and Compliance Queries

- "What are the ethical considerations for tax practitioners using AI tools?"
- "How can AI help ensure compliance in tax filings?"

7. Troubleshooting and Problem Solving

- "How can a small business owner rectify a mistake in their tax filing?"
- "What steps should be taken if a client's tax records are audited?"

8. Efficiency and Productivity

- "What are some time-saving tips for tax preparation during the busy season?"
- "How can AI assist in organizing and analyzing financial data?"

9. Industry-Specific Advice

- "What tax advice would you give to a freelance graphic designer?"
- "How can real estate agents maximize their tax deductions?"

10. Future Trends and Predictions

- "What are some emerging trends in tax preparation and accounting for the next year?"
- "How do you see AI evolving in the field of taxation and accounting?"

These questions not only demonstrate the breadth of ChatGPT's knowledge but also its ability to provide practical, relevant answers for tax professionals and small business owners. They showcase the model's conversational abilities, its understanding of complex subjects, and its capacity to provide informative, up-to-date responses.

ChatGPT and This Presentation



You

Answer question 7



ChatGPT

To address a question about rectifying a mistake in tax filing and steps to take if a client's tax records are audited, here are the responses:

Rectifying a Mistake in Tax Filing

If a small business owner discovers a mistake in their tax filing, the course of action depends on the type of error:

1. **Minor Errors:** For simple mistakes like mathematical errors, the IRS often corrects these automatically during processing. However, it's good practice to review any notices or changes made by the IRS.
2. **Major Errors:** For more significant errors, such as reporting incorrect income, missing deductions, or not claiming the correct filing status, you should file an amended return using Form 1040-X. This form is used to make corrections to Forms 1040, 1040-A, 1040-EZ, 1040-NR, or 1040-NR EZ.
3. **Timeframe:** Generally, you have three years from the date you filed your original return or two years from the date you paid the tax, whichever is later, to file an amended return.
4. **Process:** When filing Form 1040-X, you'll need to explain what was changed and why. Attach any documents that support the changes, like corrected W-2s or 1099 forms.
5. **State Taxes:** If you amend your federal return, also check if you need to amend your state return.

Steps if Tax Records are Audited

If a client's tax records are audited, the following steps should be taken:

1. **Understand the Audit Notice:** Carefully read the IRS notice to understand the scope of the audit and what documents are needed. Audits can be conducted by mail (correspondence audits), in an IRS office (office audits), or at a business location (field audits).
2. **Gather Documentation:** Compile all relevant records like receipts, bills, canceled checks, legal papers, loan agreements, logs or diaries, employment documents, and other records that support items on your tax return.
3. **Consult a Professional:** It's often advisable to consult a tax professional or CPA who is experienced in handling audits.
4. **Respond Promptly and Accurately:** Respond to the IRS in the manner requested, by the deadline given. Provide complete and organized documentation.
5. **Know Your Rights:** Understand your rights as a taxpayer. For instance, you have the right to know why the IRS is asking for information, how the IRS will use it, and what will happen if the requested information is not provided.
6. **Keep Copies:** Always keep copies of any documents you provide to the IRS and correspondence related to the audit.
7. **Consider Appeal Options:** If you disagree with the audit results, you can request a conference with an IRS manager, use the IRS Appeals process, or seek legal recourse in federal court.

Handling an audit or amending a tax return requires careful attention to detail, a thorough understanding of tax laws, and often professional assistance to ensure that the process is handled correctly and efficiently.



Demo



Q&A



Visit us at trenegy.com