

Will AI Replace Tax Practitioners?

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I. Introduction

In the evolving legal landscape created by the advancement of artificial intelligence, we confront a worrying question: Will tax practitioners eventually find themselves sidelined by this technological revolution? There is no denying that AI's capabilities can expedite many of the core tasks we tax professionals perform, potentially

pushing our traditional roles toward obsolescence and prompting a sea change in how professional services firms operate. Yet we should recognize the intrinsic value tax practitioners bring — our ability to negotiate, the human touch of empathy, the ethical compass, and the ability to make complex inferences and connections between various tax provisions. These aspects reflect a nuanced art not (yet) replicated by machines. Moreover, a pure reliance on AI is not without potential pitfalls. That reliance risks reinforcing preexisting biases, poses privacy challenges, and could undermine the fidelity of tax planning. Ultimately, we envision a future in which tax practitioners will be instrumental in shaping AI tools and regulations in the tax context. It is not so much that tax practitioners will be replaced by AI but that tax practitioners who leverage AI will outpace and displace those who choose not to adopt it.

Few questions have captured the imagination of professionals and policymakers as intensely as the prospect of AI usurping human roles in complex fields. At the forefront of this discourse lies the tax profession, intricately woven into the fabric of economic systems and societal structures. AI's capability to automate and enhance tasks performed by tax practitioners presents a compelling vision of a future in which the intersection of technology and human expertise could redefine the tax law and policy landscape. This installment of Blue J Predicts embarks on an exploration of this pivotal transformation. We examine how AI has the potential to upend the status quo, the current inherent limitations of technology that underscore the irreplaceability of human tax practitioners (for now), and the emerging paradigm in which collaboration between humans and machines will elevate the standards of the profession.

II. Could AI Replace Tax Practitioners?

The effect of AI on white-collar workers is a distinctive feature of digital transformation. Unlike previous technological advancements that primarily affected manufacturing and other blue-collar jobs, the generative AI revolution is poised to have a disproportionate effect on historically secure knowledge workers. A recent report by Goldman Sachs suggests that generative AI has the potential to supplant roles equivalent to 300 million full-time jobs, with 44 percent of the tasks performed by legal professionals at risk of automation.¹ This development has significant implications for tax practitioners. Cutting-edge AI tools, especially those leveraging large language models, are increasingly adept at tasks that once seemed immune from automation, like tax preparation, document drafting, and legal research. The improvements that generative AI has achieved in areas including document review and legal analysis are notably affecting the tax law profession.²

A. Vulnerability of Tax Practitioners to AI

In the current generation of legal tech, AI can increase efficiency and enable those with less experience to perform complex tasks more quickly. Also, routine duties, such as reviewing financial statements, can now be sped up, freeing professionals' valuable time for more strategic tasks but potentially altering resource allocation in legal settings. Junior tax practitioners, recognizing the effect of AI platforms like ChatGPT on tasks like legal research and drafting, are racing to adapt. While automation ostensibly threatens the long-term viability of some of the core tasks and functions performed by practitioners, many are leveraging AI to enhance their roles before automation potentially redefines them.³

Research shows that AI enhances productivity. Novice workers receive the greatest productivity increase from the use of AI, enabling

them to perform at a level closer to that of their more experienced peers.⁴ By harnessing AI, roles traditionally reserved for the less experienced are elevated, achieving higher-quality results at a reduced cost.

As AI advances, it is likely to reshape roles within the tax profession, speeding up tasks traditionally earmarked for junior roles, such as preliminary research and basic drafting. This shift could afford firms multiple benefits, including reduced overheads associated with the training and onboarding of junior staff and decreased time expended for extensive reviews of draft work products, which would allow senior professionals to dedicate more time to complex, fully billable, high-value-added tasks. Integrating AI could streamline operations and enhance service quality and efficiency, positioning firms for competitive advantage.

The integration of AI into tax practice and tax pedagogy will invariably redefine the role and preparedness of tax practitioners, reducing resistance to, and increasing, reliance on AI's capabilities. Traditional legal research skills as conventionally understood may become less critical as tax practitioners rely on AI for tailored insights specific to clients' needs. In this evolved landscape, the focus may shift from subject matter mastery to a balanced blend of technical expertise and human-centric understanding, valuing interpretation of a client's unique circumstances and ensuring AI-driven advice is contextually aligned.

As traditional skill sets evolve, tax practitioners must adapt by cultivating novel proficiencies. The tax practice landscape of the future will likely see diminished administrative burdens and a shift in professional roles, focusing less on conventional tasks, like writing, reading, and even some aspects of decision-making. The term "hyper-augmented" captures this new paradigm, positioning tax practitioners as adept

¹ Chris Vallance, "AI Could Replace Equivalent of 300 Million Jobs – Report," BBC, Mar. 28, 2023.

² Arianna Johnson, "Which Jobs Will AI Replace? These 4 Industries Will Be Heavily Impacted," Forbes, Mar. 31, 2023.

³ Kaustuv Basu, "Paralegals Race to Stay Relevant as AI Threatens Their Future," Bloomberg Law News, June 8, 2023.

⁴ A recent study found that when customer support representatives used AI, they solved problems 14 percent more efficiently and the greatest effect was on novice and low-skilled workers. Joe McKendrick, "Yes, AI Increases Productivity, Study Suggests," Forbes, Apr. 25, 2023.

project managers responsible for interacting with and overseeing AI tools rather than more traditional tax practitioners.⁵ While AI may not render the tax practitioner obsolete, it will inexorably engender a vastly different landscape in which tomorrow's tax practitioners will operate.

B. Improved Access to Justice

AI has the profound potential to alter the professional landscape, offering small firms the possibility to provide clients with the same level of services as their larger counterparts and to do so with greater efficiency and less overhead. The traditional time-based billing structure of law firms, which does not inherently reward expediency, may conflict with AI's efficiency-driven model.⁶ By incorporating AI, smaller firms could emulate the expertise of larger institutions while introducing efficiency that larger firms might find challenging to match. Here, nimble, adaptive firms could pivot to alternative pricing strategies, like fixed fees for services, potentially gaining an edge. This could lead to a significant shift in professional service firms' business structures, offering enhanced competitiveness and more accessible, cost-effective services for clients.

AI's transformative potential could also reshape the modern landscape of available legal services, which is marked by accessibility barriers. Today, a staggering 92 percent of significant civil legal challenges faced by low-income Americans go unaddressed or inadequately addressed.⁷ This creates a service void for lower-income individuals as legal experts increasingly cater to wealthier demographics. The prospect of individuals turning to AI to circumvent traditional legal channels paints a future of more inclusive and accessible legal assistance.

Existing regulations prescribe strict criteria on who can provide professional tax counsel and advice, but we should be receptive to evolving

norms as AI demonstrates its capability. Advanced language models, like ChatGPT have shown proficiency levels that rival legal scholars, even passing real law school exams.⁸ As AI's prowess grows, it is conceivable that clients might prefer AI's expediency and cost-effectiveness over traditional human advice.

C. The AI Arms Race

As AI steadily gains traction, tax authorities are likely to harness its capabilities for the purpose of improving tax enforcement and administration. This shift is underway with the IRS already leveraging advanced data analytics to detect tax evasion.⁹ With the IRS's extensive data, refining AI-driven tax administration seems imminent.

Further, the IRS's technological evolution may in turn catalyze professional service firms to adopt advanced tools, sparking a competitive AI landscape. AI would serve both to enhance tax services and become a crucial strategy to align with tax regulators. By using tools like those employed by the IRS, professional service firms can gain an understanding of the IRS's operational methods and leverage this understanding to provide clients with more tailored advice.

This interaction could promote continuous advancements in AI within the tax domain, progressively encroaching on the full spectrum of tasks now reserved for tax professionals. Major firms, backed by substantial resources, might find themselves in an innovation race to outperform tax authorities in AI adoption. The significant investments from both sides could result in a profoundly transformed tax profession, redefining roles and perhaps automating many tasks traditionally performed by tax practitioners.

The implications of AI go beyond processes, potentially reducing the need for traditional roles in the tax profession and rendering some positions redundant, as it can replicate and surpass human-level performance at tasks that were once the exclusive preserve of tax practitioners. This reality is emphasized by

⁵Niels Martin Brochner, "Will AI Replace Lawyers?" *Forbes*, May 25, 2023.

⁶*Id.*

⁷Legal Services Corp., "The 2022 Justice Gap Study" (last accessed Sept. 25, 2023).

⁸Jonathan H. Choi et al., "ChatGPT Goes to Law School," SSRN (Jan. 23, 2023).

⁹Charles Rettig, "IRS's Use of AI Shows How New Funding Can Catch Old Tax Evaders," *Bloomberg Tax*, Sept. 26, 2023.

research highlighting the legal sector's vulnerability to AI-driven disruptions. As AI replicates and even excels at tasks once unique to tax practitioners, the prestige and exclusivity of these roles might wane.¹⁰ Ultimately, we stand at a juncture in which the convergence of technology and professional expertise threatens the tax profession — and the primary drivers of this convergence will be tax professionals.

III. AI: Enhancing Tax Practitioners

AI tools undoubtedly amplify the efficiency and precision of tax practitioners, yet envisioning AI entirely replacing humans in tax practice any time soon is highly speculative. That shift could undermine crucial human elements vital for tax practice and potentially compromise access to justice. It is more realistic to foresee AI working in tandem with humans' insights, experience, and ethical judgment. This allows AI to manage routine, computational, and data-intensive tasks, while tax practitioners concentrate on higher-value activities, such as strategic planning, complex problem-solving, client relationship management, and public interest initiatives.

A. Legal Expertise in the World of AI

Tax practitioners often grapple with a myriad of challenges, ranging from clear-cut to highly ambiguous situations. AI excels when tasks have defined boundaries, consistent rules, and ascertainable outcomes. For example, calculating tax liabilities or examining financial transactions for tax implications would fall squarely within AI's domain, given its advanced computational and data-processing prowess.

However, when confronted with ambiguous or novel tax situations, AI is likely to find itself on shaky ground. It is in these complex situations, such as developing (and assessing the efficacy of) aggressive tax avoidance schemes, that human insight shines. Those endeavors demand more than pattern recognition — they call for a

sophisticated mix of legal expertise, ethical discernment, and unwavering professionalism.¹¹ Moreover, AI, often reliant on historical data, can stumble when confronted with unique challenges because of a dearth of pertinent data.

Tax laws, as known to practitioners, are intricate and can offer multiple interpretations. This complexity is amplified by the differing sets of tax laws across jurisdictions. While AI can identify patterns from past rulings, it lacks the capacity to draw the type of actionable analogies essential for understanding diverse precedents in varying contexts. Tax practitioners possess a unique ability to connect disparate tax provisions and interpret the implications of seemingly unrelated factors, an essential skill for pioneering solutions.¹²

Moreover, tax practitioners often have the task of predicting potential shifts in regulatory or technological landscapes. This requires placing data within a broader business, economic, and geopolitical context — and providing strategic advice that merges human experience with AI-derived insights. While AI often requires ample data and updates when laws change, humans can infer from limited information and swiftly develop creative solutions. Given the dynamic nature of tax laws, practitioners' discernment in blending legislative intent, precedents, and ethical considerations is invaluable in guiding clients through the financial implications of legal changes.

Tax planning is far from a mechanical exercise. Practitioners often find themselves navigating the delicate intersection between minimizing tax liability, adhering to ethical standards, and ensuring compliance. This intricate balancing act demands in-depth analysis, an understanding of clients' needs, and a forward-thinking approach to risk management. As tax strategies are crafted, practitioners anticipate clients' future goals, risk profiles, and financial positions. While AI provides a foundation of data-driven insights,

¹⁰ *Supra* note 4.

¹¹ A recent installment of Blue J Predicts is dedicated to the ethical use and creation of data-driven tools for tax practitioners; *see* Benjamin Alarie and Rory McCreight, "The Ethics of Generative AI in Tax Practice," *Tax Notes Federal*, July 31, 2023, p. 785.

¹² Gilles Fauconnier and Mark Turner, "Conceptual Blending, Form and Meaning," *Semantic Scholar* (Jan. 3, 2003).

adaptable strategy remains firmly within the realm of human expertise.

While AI brings computational strengths that can aid in the tasks of tax practitioners, it is the human elements of judgment, ethics, and creativity that remain irreplaceable. By integrating the capabilities of AI with the expertise of tax practitioners, the tax services industry is poised to offer clients both innovative and deeply insightful solutions.

B. Client Interaction: Human Touch

Tax practitioners stand out when they delve into the intricacies of their clients' unique financial situations and goals, moving beyond mere quantitative analysis. By considering factors such as financial and business aspirations, familial dynamics, and personal challenges, they craft tax strategies that are technically robust and align with clients' objectives and values. Tax matters can intersect with the deeply personal and emotional facets of a client's life, be it divorce, inheritance, or the advent of a new business. In these scenarios, tax practitioners serve not only as advisers but are empathetic listeners, offering a blend of professional guidance and personal reassurance.

A core strength of tax practitioners lies in their ability to simplify convoluted tax concepts and adapt their explanations to resonate with individual clients. This skill extends beyond knowledge dissemination and into adjusting to clients' verbal and nonverbal cues. This prowess in communication is not only for direct client interactions but also for roles such as advocacy, negotiation, court representation, and showcasing compliance. For example, audited taxpayers rely on practitioners to provide detailed explanations for their tax transactions, respond to inquiries, and stand accountable for any discrepancies.¹³

At the heart of the practitioner-client relationship lies trust. Clients trust that practitioners will guide them accurately and remain vigilant about potential pitfalls, even from advanced tools like AI. For instance, OpenAI's

¹³ Breifni Ó Domhnaill, "Why 'AI' Won't Replace Tax Lawyers," LinkedIn, Nov. 8, 2018.

ChatGPT, while sophisticated, can occasionally produce outputs that may sound plausible but may be inaccurate or misleading — sometimes even hallucinated case law.¹⁴ Those uncertainties underscore the skepticism around AI's potential in providing tax advice. A recently conducted survey found that 40 percent of respondents believe that it will be many years — or perhaps never — before AI can offer tax advice matching the accuracy of seasoned tax practitioners.¹⁵

This dynamic solidifies the role of human accountability. Clients seek the assurance of human oversight, someone to hold accountable, irrespective of whether the advice originates from AI or traditional means. Ultimately, it is the tax professional who bears responsibility in the event of discrepancies, misinformation, or financial setbacks.¹⁶ Regulatory authorities are likely to continue mandating human oversight and decision-making in many areas.

In sum, tax practitioners bring to their profession an unparalleled depth of understanding and empathy in client relationships that go beyond the capabilities of automation, providing ongoing support, personalized advice, and accountability. This human touch is fundamental to the profession, ensuring clients receive effective tax strategies coupled with a unique level of care.

C. Concerns About Access to Justice

While AI tools promise to be catalysts in leveling the playing field for access to justice, the paradigm shift may be farther beyond the horizon than anticipated.¹⁷ First, disparities in AI access, primarily driven by economic and accessibility barriers, disproportionately affect the underserved and low-income demographics. Many state-of-the-art AI-based tax tools are prohibitively expensive and not designed to

¹⁴ Molly Bohannon, "Lawyer Used ChatGPT in Court — and Cited Fake Cases. A Judge Is Considering Sanctions," *Forbes*, June 8, 2023.

¹⁵ Borys Ulanenko, "Will AI Replace Tax Professionals?" *Aibidia*, Feb. 2, 2023.

¹⁶ The preceding installment of Blue J Predicts is dedicated wholly to liability issues involving the use of AI tools in generating tax advice; see Alarie, McCreight, and Cristina Tucciarone, "Automated Tax Planning: Who's Liable When AI Gets It Wrong?" *Tax Notes Federal*, Sept. 25, 2023, p. 2297.

¹⁷ Brett Milano, "Experts Discuss How AI Might Disrupt Access to Justice Challenges," *Harvard Law Today* (June 27, 2023).

accommodate the needs of diverse users, including those with disabilities. The digital divide exacerbates this situation, in which individuals without adequate access to technology or the necessary digital skills remain at a disadvantage. Further, entities like legal aid organizations, public defenders, and civil rights attorneys — primarily serving marginalized groups — often lack the means to invest in these AI applications.¹⁸ The limited access to legal rulings deepens this inequality further,¹⁹ restricting AI tool refinement to those who already possess extensive access to legal resources.²⁰

Similarly, the complexity of AI-powered tax tools can also serve as an impediment, especially for individuals with limited digital proficiency. AI models frequently function as black boxes, shrouding their processes in a layer of complexity and reducing transparency.²¹ This opacity can hinder taxpayers' understanding of and ability to contest consequential decisions. The inherently convoluted language of tax law does not help either. If AI tools fail to distill and convey tax concepts in an accessible way, they risk overwhelming users, complicating rather than simplifying their legal journey.

There is also an alarming propensity for AI to mirror or even amplify existing biases in the training of datasets.²² That bias can inadvertently perpetuate inequalities in tax administration, culminating in misguided advice or uneven auditing patterns for certain demographics. For example, marginalized communities may grapple with accessing benefits like the earned income tax credit because of a lack of information, complex application processes, or eligibility criteria that do

not account for varied family structures. EITC claimants undergo more frequent audits than their wealthier counterparts despite a generally lower incidence of fraud or substantial errors in EITC claims.²³ Moreover, if AI tool development is primarily driven by profit motives, the needs of marginalized groups might be sidelined.

Rebecca Sandefur's comprehensive 2019 study on digital legal technologies in the United States highlighted the existence of tools for non-lawyers. Yet her findings underscored the limited effect in genuinely enhancing access to legal assistance for poor and minority communities. These hindrances ranged from fees, limited internet access, and language and literacy barriers to design flaws.²⁴ However, the crux of the access to justice issue extends beyond technological roadblocks and is rooted in profound systemic inequities. While AI possesses immense potential to transform access to justice, the real deliberation is whether we have the requisite infrastructure and political determination to realize this potential.²⁵

IV. The Future of Tax Law

While the recent integration of AI into legal research has attracted attention, it is important to recognize that previous technological advancements have been viewed as threats to traditional professional roles. For example, the introduction of VisiCalc, a pioneering digital spreadsheet in the late 1970s, ushered in a paradigm shift for accountants. This innovation, supported by the Apple II, eliminated the laborious process of manual adjustments on paper spreadsheets. It promised enhanced efficiency but also sparked apprehension about job obsolescence among accountants because of the rapid automation of meticulous calculations.²⁶

Yet, contrary to these anxieties, the accounting profession flourished and evolved. Automation empowered accountants to engage in intricate

¹⁸ Hassan Kanu, "Artificial Intelligence Poised to Hinder, Not Help, Access to Justice," Reuters, Apr. 25, 2023.

¹⁹ Recently, the Georgia government attempted to declare free access to state law a terrorist act; see Joe Patrice, "Supreme Court Decides It's Not 'Terrorism' to Let People Access State Law for Free," Above the Law, Apr. 27, 2020.

²⁰ Natalie Byrom, "AI Risks Deepening Unequal Access to Legal Information," *Financial Times*, July 17, 2023.

²¹ For further information on the black box problem of AI, please refer to the preceding installment of Blue J Predicts, Alarie, McCreight, and Tucciarone, *supra* note 16.

²² For an in-depth discussion of AI bias reinforcement and exacerbation, please see Alarie, McCreight, and Tucciarone, "The Path of Tax Law: Toward Legal Singularity," *Tax Notes Federal*, Aug. 28, 2023, p. 1455.

²³ Congressional Research Service, "Audits of EITC Returns: By the Numbers" (June 13, 2022).

²⁴ Rebecca Sandefur, "Legal Tech for Non Lawyers: Report of the Survey of US Legal Technologies" American Bar Foundation (2019).

²⁵ Milano, *supra* note 17.

²⁶ Blue J, "After VisiCalc Revolutionized Accounting in the 70s, AI Is the Next Big Breakthrough," Blue J Blog (last accessed Sept. 25, 2023).

tasks, enabling them to proffer richer insights into businesses. The agility of digital spreadsheets facilitated dynamic forecasting and rapid adjustments. As noted by journalist Steven Levy, many delineated their professional epochs as pre- and post-spreadsheet eras.²⁷ The newfound capability to swiftly evaluate potential scenarios accentuated accountants' indispensable value to businesses.

Drawing parallels with the transformative effect of VisiCalc in the 1970s, the AI frontier poses transformative possibilities for today's tax practitioners. It is improbable that AI will supplant tax practitioners outright; rather, it will enhance and diversify their roles. While AI handles the automation of arduous transactional research and report generation, it enables tax practitioners to provide insights more swiftly and effectively and act as catalysts for business growth. Collaborating with AI, tax experts can offer more in-depth, bespoke strategies to fuel client expansion and success.

Ultimately, AI will not replace tax practitioners; instead, tax practitioners using AI will replace those who do not. When human intuition, creativity, and ethics converge with AI's prowess in data assimilation, computational speed, and optimization, the resulting solutions can be more holistic and nuanced. While AI excels in handling vast datasets and intricate computations, human professionals provide necessary context, ethics, and intuitive judgment.

Tax practitioners are central to AI's evolution in the sector, playing instrumental roles in the development and refinement of AI tools. Their deep understanding of tax nuances is crucial for creating AI-based solutions. Thus, the future trajectory of tax professionals will involve balancing dual roles: that of an informed user and an insightful architect.²⁸ This places tax practitioners at the vanguard, shaping tools that will define the next era of the profession while simultaneously guiding the legislative and regulatory frameworks to guarantee these tools adhere to ethical and professional standards.

V. Conclusion

The trajectory of the tax profession is indelibly influenced by AI advancements, highlighting a narrative of evolution and synergy rather than replacement. AI augments the capability of tax practitioners, enabling enhanced accuracy, efficiency, and foresight in service delivery. The enduring necessity for nuanced legal interpretation, personal client relations, and ethical considerations solidifies the continued relevance of humans in the field. However, an inevitable transformation is on the horizon. Tomorrow's tax practitioner will leverage AI rather than contest it, and adaptive practitioners who integrate AI will replace those who resist. As we venture forward, embracing this new frontier will be imperative for those seeking to remain at the forefront of the industry. ■

²⁷ Steven Levy, "A Spreadsheet Way of Knowledge," *Wired*, Oct. 24, 2014.

²⁸ Abdi Aidid and Alarie, *The Legal Singularity: How Artificial Intelligence Can Make Law Radically Better* (2023).