

# The Rise of Tax Technology: Insights From Industry Experts

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In this installment of Tax Pulse, Santiago interviews Al Bradley, MST, director of HUB U.S. tax operations and technology at Air Liquide (including Airgas Inc.); Stephen Francis, an independent tax technology consultant and a former director of tax technology at both Time Warner and General Electric; and Uwe Sydon, senior vice president of product management at Vertex Inc., on the rise of tax technologies and their impact on tax laws and organizational strategies, determining that fostering collaboration between tax and technology teams will be essential for driving innovation and achieving sustainable growth in the years ahead.

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The last decade has brought sweeping technological changes across the board, many of which affected corporate tax departments. The weight of governmental mandates manifested through statutory changes adds considerable strain on U.S. taxpayers. Regulatory shifts further compound this burden, while the audit procedures hasten the scrutiny placed upon corporations, amplifying the challenges they face.

To gain an understanding of tax technology's past, present, and likely future trajectory, I spoke with three industry experts about their insights and experiences.

**Tony Santiago:** Looking back at tax technology over the last 10 years, what did you think would happen compared with what transpired?

**Al Bradley:** All in all, what's changed? The whole game has changed. Back in 2014, the tax landscape was significantly different due to legislative changes and shifts in government. The

continuing emergence of some international tax updates prompted technology providers to enhance their tax software offerings. However, the pace of change accelerated with shifts in government leadership, notably with the passage of the Tax Cuts and Jobs Act in 2017, necessitating rapid adaptation within the tax realm.

This and other variables (that is, decreased time allotment for financial close periods, more detailed audit data requests, change in workforce, and others) assisted in the value proposition with the rise of solutions like robotic process automation (RPA) and analytic process automation (APA) such as Automation Anywhere, UI Path, and Alteryx. While RPA had existed in IT, its adoption in finance and tax was catalyzed by the demand for faster regulatory and financial reporting cycles.

APA solutions, exemplified by Alteryx, gained traction, surprising many in the industry who had expected a gradual uptake. While dashboarding tools like Power Business Intelligence (BI) had begun to gain traction almost a decade ago, their widespread adoption in tax and accounting was unforeseen, indicating what I feel is a significant shift in industry practices.

**Uwe Sydon:** I'm only five years into tax, so it's difficult to talk about 10 years. However, over the last half-decade, I think a lot has changed.

Number one, I believe users of technology have become much more educated. In our organization, for example, five years ago, people didn't know what RPA was. Now, we're utilizing lots of RPAs for filing. Users are more tech savvy and less uncomfortable with technology. That's a noticeable trend.

Another trend we're seeing, which we're also driving as a tax technology provider, is that solutions are less siloed, and people expect broader solutions now. The move to the cloud is also significant. Five years ago, many people were

hesitant about putting data in the cloud. That attitude has changed dramatically.

In my opinion, data is crucial. It's the driver behind the digitization of processes. Global initiatives like e-commerce and globalization, in general, are emphasizing the importance of data. So a lot of focus in the tax technology sphere is around data integration.

**Santiago:** As AI and Uwe just noted, we are using different tools that didn't really exist before, such as data mining and data analytics. What are your thoughts on that, Stephen? What has maybe surprised you the most — or the least, for that matter?

**Stephen Francis:** Nothing surprised me. I view technology as a tool that people can use to benefit them or not. I haven't seen radical changes in technology; while new widgets and toys come out, I don't think I've seen anything transformative.

I have been involved with tax technology since 1984. I was at a Big Eight firm until I transferred to the corporate world in 1995.

I was at GE from 1997 until I retired in 2015. I felt that I, along with the team I was on, had made significant advancements in tax technology. Senior leadership viewed technology as a critical part of the tax organization. My retirement lasted a few days, and as I started working with other companies, I was surprised at how little advancement there had been.

Tax technology vendors came and went, and professional service providers entered and exited the discipline. It was like being in a time warp. There was one notable exception, but by and large, there had been very incremental changes in how tax technology was used.

**Santiago:** So your fundamental position is that technology has not made massive advancements in application tools?

**Francis:** I believe there have been advancements but not on the scale of other technologies like communication technology. Remember when telepresence was very expensive to set up? Today, we rely almost exclusively on technologies such as Zoom and Meetings.

I still see tax professionals working in the trenches as they did 30 years ago. There are tools such as Alteryx, but I question how much they

have truly changed people's lives. In my mind, these tools are little more than digital duct tape.

**Santiago:** What do you think is holding back tax from breaking through?

**Francis:** The Big Four have an almost quasi-monopoly over companies. The underlying business model of the Big Four, that of billable hours, is the antithesis of automation. They use the latest buzzwords. Six years ago, you could not attend a conference without hearing about blockchain, machine learning, robotics, and natural language.

Today, it is artificial intelligence. I hear terms such as "low code/no code." There are many talented professionals in the Big Four being held back from leveraging technology because of anachronistic business models.

### Reporting Structures

**Santiago:** Ten years ago, we were having something of a raging debate about staffing for these roles: Should it be an IT person willing to learn tax or a tax professional interested in learning the IT side of the fence?

In your opinion, where are we now in regard to the profile that people should use when thinking about staffing and tax tech roles as they evolve?

**Bradley:** For this realm of tax systems, tax operations, or tax technology, regardless of what it's called, I think that there is a core need for understanding taxes, tax accounting, compliance, audit, and transfer pricing.

However, that's just the basis. Ultimately, it's about system understanding and knowledge. You now have to be more than just a tax accountant, property tax person, income tax expert, or international tax specialist.

These days, you can't just comprehend the rules and regulations around taxation; you also need to couple that with project management skills, Six Sigma skills, experience with automation and analytic tools, and enterprise resource planning (ERP) experience.

Do you have these skills? Do you have ERP experience? Because tax departments need to be involved in ERP transformations and require a seat at the table. Not just the seat but having someone there representing the tax department who actually understands and knows the

terminology that is being discussed when it comes to ERP transformations.

**Santiago:** You're making a great point that, whether it's SAP's or Oracle's advancement, these platforms are being built to enhance the ability to utilize technology and AI. If the team member needs to have a backbone in tax, should it be a tax person in that role?

**Bradley:** I would say having that tax background in tax technology is important, regardless of how you acquired it.

Those who have moved into the tax department from elsewhere (as tax technology people) have really learned and understood the tax requirements, leveraging technology on top of that. However, having a tax background is still important because you need to interpret the rules and requirements to translate them into IT terms.

Regardless of background, whether a tax accountant is going into IT or vice versa, there needs to be some type of tax background or learning experience. You can't jump into this cold.

**Sydon:** I'm a big believer in cross-functional teams. If you want to be effective, you need them, and you need to orchestrate them.

Reflecting on my background, I'm never going to understand tax definitively. I also don't think a tax person ever becomes an effective IT expert. So I think it's about blending.

Personally, I don't think you can effectively move from one side to the other. You need expertise in both areas to orchestrate and build a cross-functional team. A lot of tax know-how will go into tax technology. Depending on your company's size, the approach might vary. Larger companies will likely have a dedicated tax department, while smaller ones might rely more on tax technology with someone having a basic tax understanding.

I think it's about finding the right balance. It's not about extremes. It's about having a cross-functional team tailored to your company's size and business needs. You need some tax experts who understand tax deeply and some tech-savvy individuals who can utilize technology effectively.

**Francis:** In the corporate world, there is friction between IT teams and the tax teams. I had to deal with IT teams that believed they should have total control over the development and

deployment of any solution beyond a spreadsheet. The problem was that tax was always at the bottom of the priority list.

Fortunately, I had a boss who was strong enough to be able to overcome those impediments. As long as we followed company standards, we could control our destiny.

**Santiago:** Where do you feel these tax technology professionals need to report?

**Bradley:** I think they would need to report to the tax group. If tax technology professionals were utilized in other areas of the company, they wouldn't have the bandwidth to do what's necessary. They could get diverted from actual tax needs and pulled off on other projects critical to tax due to deadlines.

I do know of one or two companies where the tax technology person sits within the IT org, and it seems to work for them. Maybe they have a service-level agreement (SLA) in place? I would have an SLA in place that says what this group is dedicated to so that there are no gray areas or cross-usage.

**Santiago:** That's a great point. Even if you're a tax leader and you do have IT really controlling your support somewhere, you need to negotiate some sort of dotted-line accountability or SLA back to the tax function. Otherwise, pull it under the tax function if you possibly can, right?

**Francis:** I agree, but those hybrid people are sometimes hard to find.

However, I was able to get IT people to join the tax team from the IT group. At first, they said, "Tax is boring," but once they got into it, they found it pretty interesting and challenging.

## ERP Systems

**Santiago:** What roles have tax technology professionals been playing in the interface with ERP systems as well as with software applications? What role do you feel they should play?

**Bradley:** It's critical for tax to be at the table. Tax technology, operations, or process associates play a crucial role in proper tax integration, especially during ERP transformations, entity acquisitions, entity spinoffs, system upgrades, data migrations, or server movements. Ensuring that master data is properly integrated and

tax-sensitized is essential for tax to interface with, report on, or extract data accurately.

Tax can often go down to the material level depending on the type of tax: The way they are set up and the master data perspective is critical in how they interface with the actual transactional tax system to produce the right tax determination.

If you're not guiding the IT team on that, you run a risk of complying incorrectly, having incorrect results, not having a clean audit defense, and so on.

**Santiago:** Uwe, coming from the IT side, when do you feel is the appropriate time to get tax involved in big ERP implementations? The earlier, the better? Or should we address that later?

**Sydon:** I think the earlier, the better. We see that in our own implementations. Many companies implement the Vertex Calc Engine. When they do so for high-performance analytic appliance transformation, it's often the best time, but it needs to happen from the start.

Whenever people don't do it initially, as you just said, the effort to change anything after implementation due to missed tax details is dramatic. That's when tax expertise comes in. You can't rely on regular IT to handle it. As Al just said, you have to embed the concept from the beginning and ensure it's well understood. That's crucial from the outset.

### Data Mining and Data Visualization Tools

**Santiago:** How important are data mining and data visualization skill sets?

**Bradley:** They are extremely important. From a tax perspective, we often need to dig through data, slice and dice it, and truly understand its structure to make reliable analyses or judgments.

Dashboarding, which involves visualization, is crucial in tax. In my group, we have a Power BI initiative that's being rolled out, and this visualization tool is becoming very helpful. It allows us to visualize reported data for planning purposes, identify our biggest exposures and liabilities, focus on specific jurisdictions, assist governmental affairs departments in understanding tax burdens, and aid merger and acquisition groups in identifying potential incentives or acquisition opportunities. Visualizing data is invaluable.

**Francis:** From my perspective, there's always been talk of tax at the ERP level — in other words, building tax into the ERP level — and it just hasn't been done. The indirect tax space is far more aligned with a company's ERP.

Even if a company has one ERP, the granularity of the underlying chart of accounts rarely facilitates tax reporting. The result is the tax department has to create data collection processes to collect information outside the general ledger.

Even if the tax department does have a seat at the table when discussing an ERP implementation, the cost-benefit of including exhaustive tax requirements, especially when those requirements constantly change, is a significant impediment.

**Santiago:** What about the data visualization tools? These are obviously of value, but are they transformational in your mind?

**Francis:** Visualization tools are only as good as the underlying data management processes. I do not think data management is emphasized enough.

**Santiago:** Agreed. The front end of the ERP systems is not wired to tax so much, so tax departments don't really have what they need to optimize the data mining tools. Where's the breakdown there?

**Francis:** In a global tax system, when you're dealing with foreign taxes, if you said, "Can the ERP handle the new proposed global minimum taxes?" a lot of the base data is probably there.

While that may be the case, the ERP systems are built more around service delivery, production, supply chain management, and so on. How much do you invest in something that could be outdated next year?

**Santiago:** For those with ERP, data mining, and visualization capabilities, is there a need for someone to come in and teach the rest of the tax department and help them with utilization?

**Bradley:** I think it really depends on a lot of factors. When discussing insourcing or outsourcing, whether it's bringing someone in-house or outsourcing to a Big Four firm, it all starts with the budget, plain and simple. Tax budgets are scrutinized because the tax department already writes a lot of checks.

It makes sense to bring someone in-house to consult or train either a select few or the entire

department, especially for teaching tasks like utilizing tax software more effectively or understanding ERP systems.

Outsourcing to a big accounting firm also makes sense if the need and budget are there and if there's no one within the group who can attend training and learn.

However, there's a flip side to this. In the past, people in tax technology were often asked to work on projects or implement tax systems without fully understanding the inner workings of the software or technology. They relied on their tax background to translate appropriately and naturally evolved into tax technology roles.

If you're going to bring someone in-house, they have to be willing to learn. You can save money by sending them to conferences, training, or finance and IT initiative meetings to grow and understand. However, even throughout this learning process, it may still be necessary to leverage an outside source to ensure nothing is missed.

**Santiago:** Uwe, you come from the IT side. What do you feel are the most critical issues a tax person needs to grasp or that you've seen them struggle with when they come to the IT side of the fence?

**Sydon:** Number one, you always have to have the ability to envision the impossible. There's agile thinking that advocates step-by-step progress, continuous improvement, iteration, and evolution. If you're transitioning from tax to technology, you also need to look beyond what's possible today and envision what might be possible tomorrow. Technology is about building for the future.

It's challenging to bridge the gap between technology and tax mindsets. When bringing technology and tax people together, it's sometimes difficult for tax folks to think beyond the status quo. They struggle with the what-if scenarios. The biggest challenge is shifting from compliance-focused thinking to creative problem-solving. Orchestrate this effectively and you'll achieve incredible outcomes.

## Career Trajectories

**Santiago:** People who get into tax technology, if they come from the IT side, can always roll back into IT. However, for tax people, what will that do for their careers?

**Bradley:** Someone pursuing tax technology is a hybrid employee: a tax professional with a strong IT background. Because of your tax background, you could naturally move into higher positions within the tax department or even IT roles given your obtained IT knowledge.

Over time, if your IT skills and knowledge of operations increases, you could potentially become a VP of IT (if IT technical/operational skills, project management, and others are acquired) or even an associate VP of business applications, leading groups that manage applications you're familiar with. Tax technology professionals see everything and play a vital role in keeping the lights on for tax departments to effectively report, defend, and analyze.

**Santiago:** Do you think there'll be a day when we see a big *Fortune* 100 company run by somebody who, in their career, had a leadership role in tax technology?

**Francis:** Probably not any more than you will see a *Fortune* 100 company run by a tax leader.

I've been fortunate to work with some of the best people in the industry. At times, I found myself offering career advice to my team members. My advice is simple: If you're not learning something new regularly, it might be time to explore other opportunities. Technology requires constant learning and adaptation.

It's a rewarding field to be in, but if you're solely aiming for C-suite positions, maybe reconsider a more traditional business role.

## Conclusion

The past decade has seen a remarkable evolution in tax technology, transforming the way corporations navigate the complex landscape of taxation. Insights from industry experts reveal the dynamic interplay between tax laws, technological advancements, and organizational strategies. From the emergence of automation tools like RPA and APA to the integration of data mining and visualization techniques, tax departments have adapted to meet the challenges

of regulatory compliance, financial reporting, and strategic decision-making.

As tax professionals continue to navigate this evolving landscape, embracing a cross-functional approach and fostering collaboration between tax and technology teams will be essential for driving innovation and achieving sustainable growth in the years ahead. ■

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