

Tax Insights & Commentary  
Analysis

# Why Company Readiness Beats Reaction When Navigating Tax Policy

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## Summary by Bloomberg AI

AI Generated



- Business leaders need to make confident and informed decisions amid ambiguity, with tax teams providing forward-looking insights and potential savings in real time to meet changes head on.
- Tax departments need to stay one step ahead of rapid developments, including US midterm elections, global tax reforms, evolving trade policies, and states seeking new revenue sources.
- Organizations that embrace agility and flexibility, with the tax function at the center and embedded in key business decisions, will be successful in navigating tax developments and building a competitive advantage.

Business leaders are increasingly required to make confident and informed decisions amid ambiguity. Change can happen rapidly, and C-suites, boards, and other stakeholders need to know how legislative, policy, and regulatory developments might affect business. Tax impacts are a critical component of the analysis, and with the appropriate infrastructure, talent, and tools, tax teams can provide forward-looking insights and potential savings in real time to meet these changes head on. Here are some key areas of focus for tax departments in 2026: what we are seeing, what may happen next, and actions to consider.

2025 set the stage for rapid developments, and tax departments need to stay one step ahead. Enactment of major tax legislation has clarified some aspects of near-term US tax policy, but more change is on the horizon, including US midterm elections, global tax reforms, evolving trade policies, and states seeking new revenue sources.

## IRS Activities

*What we're seeing:* Prior to the 43-day federal government shutdown that began October 1, the IRS was already undergoing significant transformation, with a substantial reduction in staff and many top leadership roles vacant or filled by acting personnel. The shutdown exacerbated these existing issues, furloughing both examination and appeals functions, halting audits and controversy resolution discussions, and leaving taxpayers challenged to resolve outstanding tax issues with the IRS.

*What may happen next:* There have been signals that the IRS's enforcement priorities may be shifting. In the past, enforcement efforts focused on partnerships and high-net-worth individuals, but clarity on current priorities and application in the field is still evolving. The IRS will also take time to get back up to speed, processing correspondence backlogs and rescheduling exams, appeals, and tax court cases. During the 35-day shutdown that ended in January 2019, thousands of in-person Taxpayer Assistance Center appointments were canceled, thousands of pieces of mail went undelivered, and the IRS took a significant amount of time to catch up.

*Actions to consider:* Carefully monitor IRS communications about future enforcement initiatives and how they may be applied in the field. Confirm who at the IRS is managing your audit team, as personnel changes may have occurred during the shutdown, and maintain open and regular communication with exam team leadership to facilitate resolution discussions.

## Tax Legislation and Policy

*What we're seeing:* Enactment of the One Big, Beautiful Bill Act (OBBBA) provided some tax certainty by extending and enhancing expiring and expired provisions from the 2017 Tax Cuts and Jobs Act (TCJA) and addressed some of President Donald Trump's campaign tax pledges. Tax advisers have been helping businesses evaluate opportunities provided by the new law—full expensing for domestic research costs, 100% bonus depreciation, and other taxpayer-favorable provisions—and pointing out surprising interactions of those provisions with other existing tax laws, including the corporate alternative minimum tax (CAMT) and the base erosion and anti-abuse tax (BEAT).

OBBBA also made some noteworthy changes to US international tax policy that foster US competitiveness, and in this area too, the tax department has a role to play in explaining how the law applies to a multinational company's specific circumstances.

*What may happen next:* 2026 will be a year of continuing change and resulting complexity for businesses, as more OBBBA implementation guidance is released. State responses to OBBBA will also vary, as some states opt to decouple from certain parts of the federal law. While many of the OBBBA business tax provisions may have been made "permanent," a state's stance on the same issues may change.

*Actions to consider:* Rather than waiting for final guidance and outcomes, consider acting now to plan for multiple potential tax impacts, using parallel and informed scenario planning to make educated decisions that support flexibility. For example, it may be time to reassess prior decisions related to the location of intellectual property and research activities. It will be important, however, to use modeling and diligence and consider the potential transfer pricing implications of changing course.

By engaging in this kind of proactive modeling, tax departments can help the broader organization achieve larger goals such as managing cash flow, identifying risk areas, and improving business models.

## Trade and Tariffs

*What we're seeing:* The trade landscape is an area of uncertainty, risk, and opportunity. There are open questions around legal challenges to some of the current administration's tariffs, the potential impact of sector-specific tariffs, shifting country trade deals, and the upcoming July 2026 review of the United States-Mexico-Canada trade agreement. This ambiguity and volatility are affecting companies' capital decisions.

*What may happen next:* Careful analysis and a willingness to rethink longstanding practices will be needed to adjust to a trade and tariff approach that has already disrupted supply chains and upended established policy. This shift may also provide companies with an opportunity to revisit their traditional choices of sourcing locations and valuation techniques and to explore different options.

Businesses that can leverage new information to proactively manage their immediate tariff exposure, challenge assumptions, and build more resilient processes and relationships may gain a competitive edge and foster long-term growth. Tax departments can assist in this analysis, and support capital investment decisions, by modeling the tariff impact of various supply chain scenarios, including the layering of trade and tax approaches, such as the "First Sale for Export" principle (which determines duties based on an earlier sales transaction, as opposed to the last transaction) or unbundling non-dutiable intellectual property.

*Actions to consider:* Pay close attention to trade policy developments, particularly the US Supreme Court's decisions and potential refund positions. Encourage partnering among tax, supply chain, trade, legal, and policy teams within the organization to address the current trade environment. We've seen many companies redesign their trade function to align more closely with their tax department.

## Pillar Two

*What we're seeing:* The stakes are high for global companies as discussions continue over the future direction of the OECD/G20 Inclusive Framework's Pillar Two global minimum tax project. Details are still being negotiated on a "side-by-side" approach that would allow Pillar Two rules to apply alongside the US corporate tax system so that US-parented multinationals would not be subject to core elements of the global minimum tax.

*What may happen next:* The outcome of these negotiations could have significant impacts on US multinational businesses. Even with a side-by-side approach, US companies may still face significant reporting obligations related to Pillar Two.

*Actions to consider:* As this situation unfolds, tax departments at US multinational companies should monitor developments closely and help the company evaluate the impact of changes in Pillar Two on their operations. Be ready to evaluate effective tax rate impacts, reporting obligations and capabilities, and potential retrospective adjustments.

## Industrials and Energy

*What we're seeing:* Through legislation and executive actions, the Trump administration has dramatically reshaped industrial and energy policy, introducing both tax complexity and opportunities for companies in this space. While OBBBA delivered major tax benefits for US manufacturing intended to encourage domestic production, there has been a split reality for energy companies—with potential upside for traditional manufacturing and natural resource production and challenges for those in clean energy sectors that had relied on tax incentives from the Biden administration's Inflation Reduction Act.

*What may happen next:* For those in the oil and gas industry, OBBBA provisions such as expanding leasing on federal lands and waters, reductions in minimum royalty rates for production on federal lands, bonus depreciation, and the new deduction for domestic research and experimental expenses may be beneficial. And while certain IRA credits are phasing out, some incentives were either improved or extended, such as the credit for carbon oxide sequestration and the clean fuel production credit.

Companies in the wind and solar space are encountering a less favorable long-term incentive environment and will need to work with their tax advisors to model out different paths, as well as watch for future Treasury guidance in this area.

*Action to consider:* Model OBBBA's cost recovery provisions and monitor payment arrangements with manufacturers and suppliers as more guidance on OBBBA's complex foreign-entity-of-concern restrictions is made available.

## Digital Assets

*What we're seeing:* Digital assets are rapidly moving into the mainstream of the global financial system and gaining wider adoption. Regulatory oversight and an understanding of the tax implications, however, are just now beginning to catch up. On July 18, 2025, Trump signed into law the Guiding and Establishing National Innovation for U.S. Stablecoins Act, which created a federal regulatory framework for stablecoins, but broader bipartisan legislative efforts around digital assets are ongoing. Both lawmakers and the Treasury Department have requested input from the public as they move forward, and questions around classification and the appropriate tax treatment of different types of digital assets have drawn responses from many stakeholders, including the AICPA.

Amid these efforts, the income tax reporting environment for digital assets remains challenging. While customers of digital asset brokers (as defined in the new broker reporting regulations) will receive Form 1099s for 2025, the onus of tracking cost basis, and all activity not with brokers, falls on the taxpayer. While the IRS continues to release guidance on digital asset reporting, it has yet to release comprehensive income tax guidance regarding integral transactions and products such as stablecoins and decentralized finance (DeFi).

*What may happen next:* The Treasury/IRS Priority Guidance Plan 2025-26 lists digital assets among its top priorities for this year, so more guidance is expected. IRS audit activity is also expected to increase in this area, following the first year of reporting on the new Form 1099-DA and the ongoing IRS campaign to educate taxpayers about their reporting obligations.

*Actions to consider:* Monitor ongoing regulatory and legislative activity related to digital assets. Align governance, compliance and reporting activities, and frameworks with evolving standards. Those subject to the broker reporting regulations need to have the infrastructure in place to report Forms 1099-DA for 2025 transactions and cost basis for transactions starting in 2026. Taxpayers will need to be able to reconcile their records with broker-reported information. Consult with tax advisors on available options for collecting, tracking and standardizing this information to increase audit-readiness.

### **'Great Wealth Transfer'**

*What we're seeing:* OBBBA has created a more stable outlook for family business transfers. Under OBBBA, estate tax exemptions that had been set to expire at the end of 2025 have been permanently increased, and step-up in basis has been preserved.

*What may happen next:* Recent estimates suggest nearly \$124 trillion in assets may change hands by 2048 with the aging of Baby Boomers, and there will be a need to understand and manage the tax aspects of those asset transfers and the anticipated liquidity needs upon the passing of a significant owner.

*Action to consider:* The new tax certainty in this area will allow tax professionals to help family businesses plan for the future. Businesses will want to engage in proactive succession planning and model out the tax impacts of a variety of transfer scenarios.

### **AI and Tax**

*What we're seeing:* Tax complexity has outpaced manual capability, as the volume of data, jurisdictions and regulatory requirements today's companies must manage has surged. With rapid technological advances, AI is transitioning from an experimental tool to an essential member of the tax team. Nearly 9 in 10 tax leaders surveyed in the latest EY Tax and Finance Operations (TFO) survey say they are prioritizing leveraging data, generative artificial intelligence, and technology to drive innovation, insights, predictive analytics, and automated reporting. And respondents are also increasingly confident in AI's potential to enhance the effectiveness of tax and finance functions and unlock more budget for strategic, high-value activities.

*What may happen next:* Successful tax functions are beginning to view AI as a partner that can extend human capabilities, but the results will only be as good as the quality of the data source. Consistent, clean, and accessible data will need to be seamlessly integrated with AI. The partnership between tax team members and AI agents will still depend on tax practitioners' subject matter knowledge, but those who understand how to leverage AI will be better able to manage today's growing data aggregation demands. These practitioners and their companies will have the advantage of speed for modeling scenarios as the tax environment evolves.

*Actions to consider:* Empower and equip the tax team to augment their tax-technical skills with AI capabilities. Develop a companywide plan for greater inter-departmental cooperation and centralized data systems to make the most of evolving AI options.

### Road Ahead

Success in navigating these tax developments will belong to organizations that embrace agility and flexibility. Organizations may not be able to correctly predict every outcome, but they can build the infrastructure, supported by talent and technology, to move confidently in uncertain times. This will require cooperation and communication across an organization's departments and systems, with the tax function at the center and embedded in key business decisions.

While technology and AI will improve the capacity for tax teams to address the complexities ahead, it will be human judgment, strategic thinking, and cooperation that determine whether that capacity translates into a competitive advantage.

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