



Tax firm growth: Private equity and more.



Thomson Reuters
Institute

Tax firm growth:

Private equity and other options

Private equity (PE) is quickly reshaping the accounting profession. Top tax, audit & accounting firms are using outside capital to modernize operations, attract talent, and accelerate growth, turning what was once a stable, partner-led industry into a race for scale and automation.

While the largest tax, audit & accounting firms are aggressively pursuing PE deals, leaders of most small and midsize firms are hesitant or uninterested in PE investment, for a variety of reasons. We look at what's driving the divergence, what it means for firms by size, and what options exist for those determined to grow while staying independent.

This report explores the many facets of pricing confidence as well as a multitude of measures that tax, audit & accounting firms can employ to increase their professionals' confidence that their pricing consistently meets the needs of clients, while simultaneously enhancing the firm's business.

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Executive summary

Tax, audit & accounting firms today face an urgent need to evolve as competitive pressures, technological advancements, and shifting client expectations are reshaping the industry landscape. This white paper explores diverse structural options available for those firms that are seeking growth, modernization, and long-term resilience.

Many tax, audit & accounting firms have a spectrum of paths to consider, including:

- **Private equity investment** — PE investment offers access to outside capital for firms to pursue rapid scaling, technology investment, and potential consolidation. While only a minority of firms currently pursue PE, it remains a viable strategy for those prioritizing growth and competitiveness.
- **Employee stock ownership plans (ESOPs)** — These programs empower employees as stakeholders, fostering engagement and continuity while retaining independence.
- **Mergers & acquisitions** — M&A enables firms to achieve scale, diversify service offerings, and expand market reach.
- **Self-financed growth** — Pursuing growth in this way prioritizes organic investment, maintaining control and cultural cohesion as the firm evolves.
- **Asset sales** — Using targeted divestitures, such as spinning off non-core practices, can supply firms with needed capital for reinvestment without diluting ownership of core business units.

Regardless of which option is chosen, success hinges on proactive planning around areas such as expanding advisory services, investing in technology, and aligning firm structure with strategic goals and client needs. Standing still is not a viable strategy — leaders of tax, audit & accounting firms must thoughtfully weigh their firms' paths to stay relevant and competitive in a rapidly changing environment.

Three key takeaways:

- **Private equity is changing the game, but not everyone's playing** — While PE has fueled rapid growth, technology upgrades, and consolidation among top 100 firms, many leaders 87% surveyed are not actively seeking PE funding. Still, independent firms face growing pressure to compete with PE-backed giants.
- **There are alternatives to PE, but they require planning** — Tax, audit & accounting firms that are avoiding PE are instead exploring options like ESOPs, internal capital retention, bank financing, and strategic M&A. These options preserve independence but require significant restructuring, leadership engagement, and long-term vision.
- **Firms must actively prepare for the future** — Whether pursuing outside capital or not, firms need to expand their advisory services and invest in technology to remain competitive. Standing still is not a strategy, and firms need to align their structure with goals and client expectations.

The private equity push: Big money is reshaping the profession

Four years after EisnerAmper's groundbreaking deal with TowerBrook Capital Partners, private equity has moved from a concept to a mainstream force. Today, roughly half the top 25 tax, audit & accounting firms in the United States have completed or are pursuing PE transactions. For example, Citrin Cooperman, with 2,800 professionals across 27 offices nationwide, has acquired more than 20 firms since New Mountain Capital invested in 2021.

Early adopters say modernization is long overdue in the industry, and its urgency will make firms more competitive. PE is pouring money into automation, AI, and other advancements, as well as the acquisition of smaller firms to order to increase services, expand geographic reach, and add clients. PE-backed firms are also becoming more corporate, with streamlined leadership structures and faster decision-making. Additionally, retiring partners receive cash payouts based on market value — often two- to three-times higher than traditional internal buyouts, which occur gradually over years.

Still, the PE model doesn't appeal to everyone.

More than half (57%) of tax, audit & accounting firm professionals surveyed in the Thomson Reuters Institute's *2025 State of Tax Professionals report*,¹ said PE is not even on their radar, and another 30% said they're not interested, even if they were to be approached. Critics argue that PE ownership damages firm culture and client service by emphasizing net earnings, scalability, and quick return on investment over long-term client relationships.

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For those firm leaders who decide to pursue a PE deal, they can use the incoming resources to make their firm more desirable to an investor or acquiring firm. However, the survey shows the highest number of respondents (29%) say they are doing nothing to position themselves as an attractive investment opportunity.

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While much of the industry is looking for ways to modernize and catch-up, PE investment can present an opportunity for those firms already examining their options by allowing them to position themselves to beat the competition.

Source: Thomson Reuters 2025

Not one-size-fits-all: How firm size influences strategy

While top 100 firms scramble to keep up with PE-funded firms, smaller and midsize firms are exploring alternatives. One thing is clear, however, any approach to growth depends heavily on a firm's size.

For example, large firms (those with 30 or more professionals) are feeling the most pressure to scale and digitize. They're more likely to pursue PE funding, large-scale mergers, or consider public ownership. Meanwhile, midsize firms (those with between 4 and 29 professionals) are walking a middle path by investing in targeted acquisitions, engaging in leadership restructuring, or looking for minority capital deals to preserve autonomy while modernizing. Finally, small firms (1 to 3 professionals) tend to prioritize client retention, succession, and culture and may pursue bank financing for internal growth and partner transitions.

Indeed, no matter the size, many firms are asking the same question: How can we grow and compete — without giving up who we are?

¹ <https://www.thomsonreuters.com/en-us/posts/wp-content/uploads/sites/20/2025/05/2025-State-of-Tax-Professionals.pdf>

Exploring alternatives to PE: Growth with independence

While most tax, audit & accounting firm leaders in the survey say they aren't thinking about PE, a growing number are talking with PE firms, examining their options, and — in some cases — vocally proclaiming their intention to decline any private equity capital infusion or purchase by a larger firm.

These firms are pursuing a plan to grow through internal business development efforts and the purchase of smaller firms, and they often have enough access to capital through traditional bank loans or holding back earnings from partners to fuel these investments. These critics of private equity state they will preserve their unique culture while avoiding the pressures of quick ROI favored by many PE firms. Another concern is the potential threat to auditor independence in light of the increasingly close ties between private equity and auditors.

Despite their desire to shun PE, many tax, audit & accounting firms that are determined to stay independent aren't standing still. A number of viable alternatives to private equity have emerged — each with tradeoffs:

- **Employee stock ownership plans (ESOPs)** — These programs, adopted by firms like BDO, with 10,000 employees, and Grassi & Co., with about 450, give employees equity while offering tax advantages and localize control. They require significant restructuring, especially the split between audit and advisory arms.
- **Traditional financing** — More conventional methods of financing, such as holding back partner earnings or obtaining bank loans, still works for firms that can self-fund technology upgrades or acquisitions.
- **Mergers between equals** — M&A activity between firms of similar size, such as the deal struck by BKD and Dixon Hughes Goodman to Forvis, which has since combined with Mazars, can offer scale without selling to outside investors.
- **Minority capital deals** — Deals such as these (for example, Bain Capital's investment in Sikich) can provide liquidity while keeping leadership in place.
- **Targeted asset sales** — This process, which can involve the spinning off wealth management practices, for example, can allow firms to raise cash without giving up core business units.

There are also signs of non-PE buyers entering the field. Family offices, sovereign wealth funds, and wealth management firms also are exploring accounting firm acquisitions, especially for their estate, tax, and charitable planning capabilities.

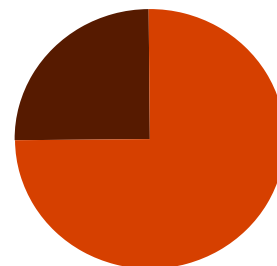
Readiness is the competitive advantage

While many firms may choose to avoid PE, no one can afford to ignore the pressure it's exerting on the middle market in the tax, audit & accounting industry. With PE-backed firms flooding the market with new tech and broader client service offerings, especially on the advisory side, every firm — whether backed by PE or not — needs to up its game to stay competitive in this environment.

Our research has shown that 75% of firm leaders surveyed report that clients want more than just tax prep — they want deeper advisory services. This means firms must compete by moving clients into a more solid relationship that is more akin to a partnership rather than an impersonal service.

Interestingly, almost half of those surveyed (44%) say improving technology is their top priority, an increase of more than 10-percentage points from the portion that said that a year ago. More significantly, 30% now list *growth* as a top concern, up from last year when it was ranked as just the fifth most important concern.

Whether or not firms pursue outside capital, it is always a crucial first step in any readiness preparation for firm leaders to understand their firm's valuation. Market value — not just the firm's book of business — now drives compensation, transitions, and investment strategy. A third-party valuation can help leaders clarify where the firm stands, what it's worth, and how attractive the firm is to potential partners or successors.



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Source: Thomson Reuters 2025

Making the call: What to do next

Firm partners have a fiduciary duty to examine all their options objectively. Living in the moment is tempting, especially after years of high partner compensation and enviable profitability. However, today's business environment demands a sharper lens. Firm leaders must consider not only the appeal of PE but also what structures like ESOPs, mergers, or bank-financed growth could mean for their professionals and clients.

Despite all the headlines, just 5% of those surveyed say their firms had completed a PE deal, according to the Thomson Reuters Institute's *2025 State of Tax Professionals report*. Another 11% said they're actively looking or plan to look for PE funding, while 8% said they would be open to conversations if approached. That means, that in total, more than three-quarters of firms are either uninterested or unprepared for a PE transaction.

Are tax, audit & accounting firms making PE deals?

■ Completed a PE deal
■ Actively looking or plan to look for PE funding
■ Open to conversations if approached
■ Uninterested or unprepared for a PE transaction



Source: Thomson Reuters 2025

Still, if private equity is on the table, it's essential to dig into the details, including what it means for autonomy, ROI timelines, firm governance, and exit strategies. Every firm considering PE must ask: Will this investor's vision align with ours?

Survey respondents who have already been through the PE process offered their advice, with almost one-third of respondents (32%) saying firm leaders should plan ahead and ensure the leadership team is unified. Another 27% emphasized conducting strong due diligence so that any target firm would know the investor and what their expectations might be. And 14% urged firm leaders to interview multiple PE firms to find the right cultural and strategic match.

"Ensure your goals align with the private equity firm's vision, including growth strategy, operational changes, and exit plans, to avoid conflicts and maximize the partnership's success," one respondent says.

Clearly, the traditional partnership model in the tax, audit & accounting industry is giving way to more complex structures — and those firms that don't explore those shifts risk falling behind. Whether the next step is an ESOP, minority investment, acquisition strategy, or staying the course, every firm should be proactively reviewing its strategic options.

As a firm leader, if you are contemplating the best way to grow your firm — and whether PE or other options are the best fit for your future — there is a simple decision-making framework to follow:

Options to consider:

- Stay independent using retained earnings or traditional lending
- Pursue an ESOP to reward staff and manage succession
- Merge with a peer to expand services and geographic reach
- Seek minority investment that supports growth without giving up control
- Consider PE or strategic sale if rapid expansion, liquidity, or transformation is your top priority

Steps to take:

- Clarify your goals. Is it succession, growth, modernization, or legacy?
- Get a valuation, determine your firm's real market value and what drives it.
- Educate your leadership by discussing models like PE, ESOPs, or mergers to understand cultural and structural impact.
- Talk to firms that have done it and learn from their successes and regrets.
- Build alignment internally *before* engaging investors, buyers, or lenders.

Final word on growth

The market of tax, audit & accounting firms is evolving faster than ever. While private equity is one path forward for establishing firm growth, it's not the only one — and it may not be the right fit for most firms. What matters most is that firm leaders take a hard look at their firm's goals, evaluate all available options, and prepare themselves and their teams for a changing competitive landscape.

No matter the structure and growth strategy chosen, those firms that act deliberately, plan carefully, and stay true to their values will be the ones best positioned for sustainable success.

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