



2026 State of Tax Professionals Report

Confidence is building as profits soar,
services expand, and technology improves

Executive summary

Entering 2026, the world was being rocked by fluctuating tariffs, ever-shifting supply chains, changing tax legislation, and increasing uncertainty everywhere. As a result, tax professionals found themselves in an ideal position to help their clients navigate this turbulent landscape. Both business and individual clients say they want their tax professionals to act as a *trusted advisor*, providing assistance well beyond mere tax preparation. Today’s tax professionals are answering the call.

The need for additional professional guidance is especially high in the corporate arena, where wrong tax decisions can cost millions of dollars. So, in addition to traditional tax preparation, tax, audit & accounting firms worldwide are responding to the growing demand for financial and business expertise by expanding their service offerings into such areas as tax strategy, consulting, decision support, and financial planning.

This diversification of services has re-energized a profession that was once experiencing existential angst over the loss of business due to clients’ increasing use of do-it-yourself tax software and automation for basic tax work. Not anymore. Profit margins for tax & accounting firms of all sizes remained high throughout 2025 (more than 30% on average) and half (49%) of tax firms saw their profits rise.

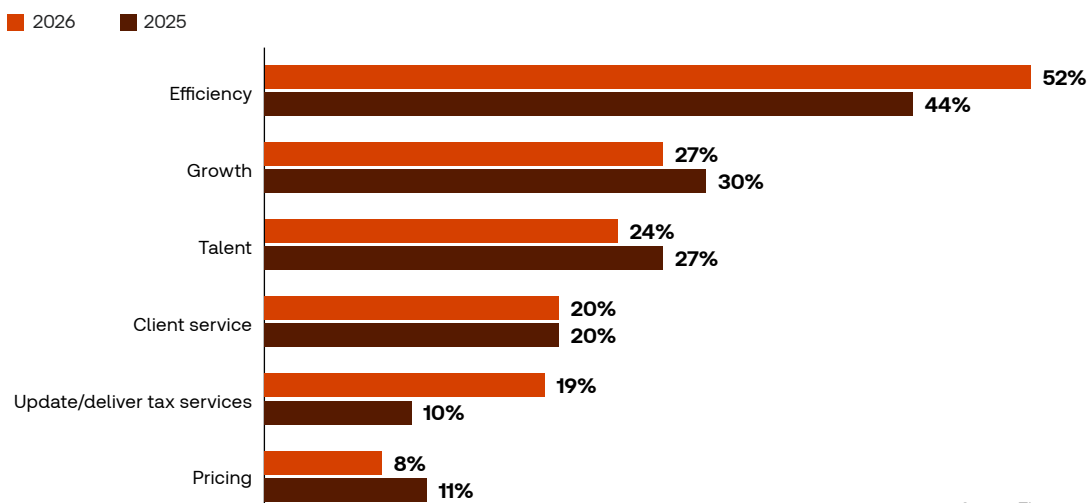
This success, combined with the efficiencies gained through the use of advanced tax technologies, has fueled a sense of optimism among tax professionals and a renewed appetite for growth among tax firms. While firms still face many challenges — including a chronic talent shortage and decisions about how to incorporate AI-enhanced tools into workflows — overall, the future for tax professionals looks quite promising.

Profit margins for tax & accounting firms of all sizes remained high throughout 2025 (more than 30% on average) and half (49%) of tax firms saw their profits rise.

FIGURE 1:

Strategic priorities for 2026

Considering your role as a leader within your firm, what are your strategic priorities for the coming 12 months?



Source: Thomson Reuters 2026

Strategic priorities for 2026

Every year, the Thomson Reuters Institute surveys tax professionals from around the world to determine what their challenges and priorities are and how they are preparing for the future. According to this year's survey respondents, *efficiency* outpaced other factors on the strategic agenda for 2026 even more emphatically than it did in 2025, with 52% of survey respondents citing efficiency as a top priority compared to 44% last year. Making more and better use of technology is still the most immediate path to greater efficiency, of course, which is why introducing additional automation and AI — or just trying to get the most out of a firm's existing technology stack — was also mentioned as an important focus for the upcoming year.

Key findings

Improving efficiency & technology use — AI and automation are becoming the top technology priorities for many tax, audit & accounting firms, but adoption remains uneven as larger firms advance faster while smaller firms face greater time, cost, and process barriers.

- 57% of respondents say AI is now their top investment priority, up from 47% in 2025 and 35% in 2024 — the clearest sign that AI has become the dominant technology focus.
- Automation also is making great inroads as 44% of respondents now say their firm is automating up to one-quarter of its tax workflows, and 27% say their firms automate up to half of those processes.
- Not surprisingly, large firms are far more technologically advanced than smaller firms, with 63% of large firms in the proactive or optimized stage of tech development compared to 35% of small firms, highlighting the widening competitive gap.
- The biggest barriers to further automation cited by survey respondents are capacity and cost, with 51% citing lack of time and resources and 47% citing implementation cost.

Promoting firm growth & development — Tax, audit & accounting firms remain broadly optimistic about growth, respondents say, allowing firms to pursue varied strategies that are shaped by firm size, leadership transitions, and long-term structural change.

- Almost two-thirds (65%) of respondents say their firms expect revenues to increase in the coming year, showing broad, sustained confidence in growth.
- Almost half (49%) of firms report profit increases in 2026, according to respondents, while 53% say they expect profit growth in the next 12 months.
- More than half of respondents (51%) say it is likely or highly likely that partners or firm leaders will either retire or be promoted in the coming year, leading to management change within the firm.

Addressing talent acquisition & retention — Many tax professionals say they feel that talent acquisition and retention is the defining challenge for their firms today. In response, firms have adapted strategies such as stronger training, clearer career paths, and selective use of automation or outsourcing.

- Less than half (49%) of respondents say their firms employ an intentional, strategic approach to personnel development.
- 40% of all respondents say their firm's capabilities are constrained or at risk because of talent issues, with 35% of respondents from large firms and 26% of those from small firms saying this.
- However, midsize firms are hit the hardest with 51% of respondents from midsize firms saying their firm's capabilities are constrained or at risk because of talent issues, and 22% of midsize respondents saying a shortage of talent is the top obstacle to achieving firm goals.

Expanding advisory and other client services — Client demand for advisory services is strong, and tax firms are still underpricing those services, the survey shows. To combat this, firms are looking to shift from traditional hourly billing toward clearer, value-based pricing models.

- 74% of respondents say their clients strongly want additional financial advice, which has become a core demand as clients clearly want more services beyond basic tax preparation.
- Hourly pricing remains the dominant model, with 78% of respondents saying their firms primarily use hourly billing. And despite the dominance of hourly billing, interest in value-based pricing is growing significantly.
- Margins for advisory service work are only 20% to 24%, compared to 28% for individual tax-return preparation. This clearly shows that advisory work, despite strong client demand, is still being underpriced relative to more traditional services.

Moving to higher value work — Tax, audit & accounting firms can improve their profitability picture by reducing low-value work through better pricing choices and smarter task reallocation that could help free capacity for other higher-value tax services.

- The average profit margin for firms in 2025 was 30%, with smaller firms recording the highest average profit margins over the past year, at 41%.
- 50% of survey respondents say they are spending too much time on low-value, low-margin work and that is the top barrier to better firm profitability.
- 66% of respondents say increasing prices is one of the most common tactics for improving profitability, while 65% cited greater use of technology.

Methodology

The Thomson Reuters Institute surveyed 600 respondents from tax, audit & accounting firms of all sizes. More than half (56%) of respondents were from Midsize firms (those with between 4 and 29 professionals), and 23% were from small firms (1 to 3 professionals) and 21% from large firms (30 or more professionals).

Additionally, 61% of respondents were either owners, partners, or principals in their firms; while 10% were directors or senior managers, and 14% were managing directors or managers. The remaining 15% were either administrators or associates.

By region, 64% of survey respondents were from the United States; the rest, in order of participant numbers, were from Australia, Canada, Argentina, Brazil, the United Kingdom, Bahrain, and India.

Surveys for the *2026 State of Tax Professionals Report* were conducted in the first quarter of 2026.

The tax landscape: Priorities, challenges & solutions

As tax, audit & accounting firms entered 2026 with strong confidence that's driven by solid profits, expanding advisory services, and growing investment in AI technology to improve efficiency, they are also facing significant hurdles.

These ongoing challenges, especially around talent shortages and uneven tech adoption, need to be met head on because those firms that best modernize workflows, price advisory work better, and focus on higher-value services will be in the ones in the prime positioned to grow.

AI technology & adoption

Increasingly capable tax technologies make it possible to automate a wide range of routine processes — and, with recent advancements in AI, the potential applications for these rapidly improving technologies are expanding as well.

Many firms have established the infrastructure necessary to incorporate AI-enhanced tools into their workflows. Yet, for firms that haven't, the question remains: To what extent does their lack of technological maturity affect their competitiveness and profitability? Depending on the answer, these firms will need to re-evaluate their relationship with tax technologies knowing that their larger, more resourced competitors are going to continue advancing regardless.

Investment priorities

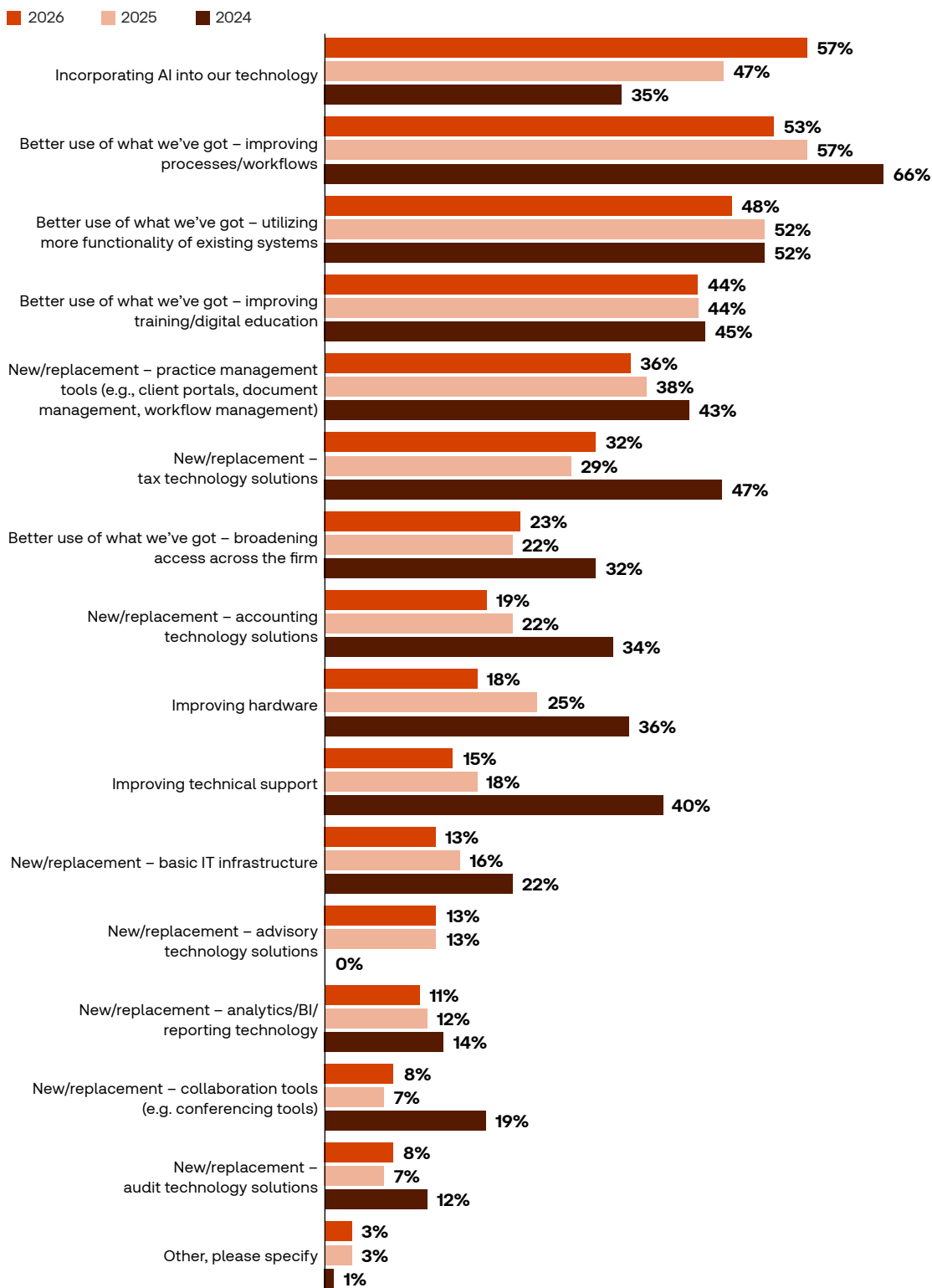
Not surprisingly, more than half (57%) of this year's survey respondents report that AI is now their top investment priority, up from 35% just two years ago. Tellingly, AI integration was the *only* category of technological investment with statistically significant year-on-year growth in this year's survey.

Large tax firms have a distinctive advantage in the AI race, as they are much more likely to be in the proactive or optimized stage of their technological development than small firms, with almost two-thirds (63%) of respondents from large firms say they're in the proactive or optimized stage of tech development, compared to 35% of those from smaller firms.

FIGURE 2:

Investment priorities: AI rises to the top

Thinking about your firm's investment (both financial and time) in technology over the next 2 years, which of the following types of investment should be prioritized for maximum impact?



Source: Thomson Reuters 2026

Indeed, the swiftly evolving nature of AI-enhanced technology — technology that larger firms are uniquely capable of leveraging — means the technological divide between larger and smaller firms is poised to grow even more acute in the coming years.

Meanwhile, investment in replacing or improving IT hardware and support has fallen dramatically. Both *improving hardware* and *improving technical support* dropped dramatically as investment priorities, suggesting that firms are shifting from the establishment of foundational infrastructure to AI-driven process- and workflow-enhancing tools that support and expand firm capabilities.

Automation and AI

The general pattern of technology adoption and implementation is consistent — namely, technology usage and maturity closely correlate with firm size.

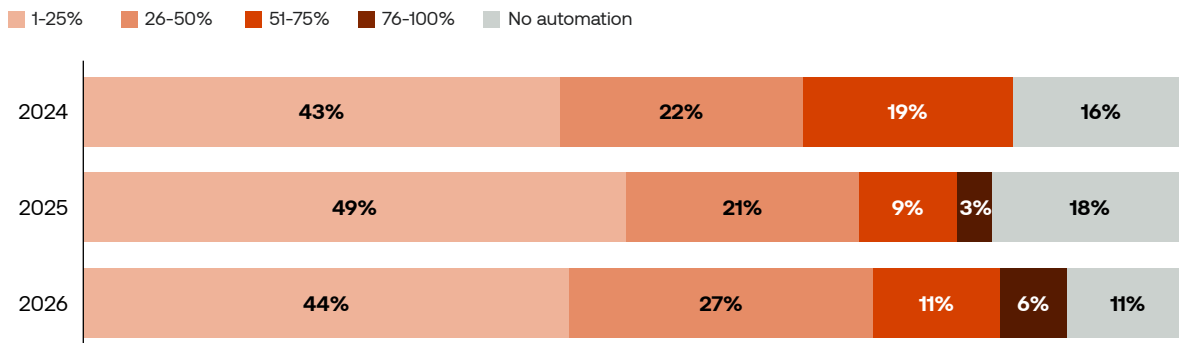
Indeed, years of data indicate that large firms are more likely to have standardized processes that automate most or all of their tax compliance processes and are also more likely to incorporate AI and have data-based scenario-modeling and analytics capabilities that enable a wider variety of advisory services.

Midsized firms are not far behind but struggle with resourcing issues; and small firms tend to lean on basic forms of tax-preparation and practice-management software, although access to certain AI tools is also well within their reach.

FIGURE 3:

Levels of workflow automation

What proportion of the tax workflow process in your firm would you estimate is automated?



*In 2024 'More than 50%' was asked. The 19% shown in the 2024 51-75% section represents 50-100%.

Source: Thomson Reuters 2026

At present, 44% of respondents now say their firm is automating up to one-quarter of its tax workflows, and 27% say their firms automate up to half of those processes. Just 11% say their firms are using no automation whatsoever, which is down from 18% in 2025.

These percentages suggest that adoption of basic automation is widespread but also that many firms have yet to implement more advanced forms of automation for various reasons.

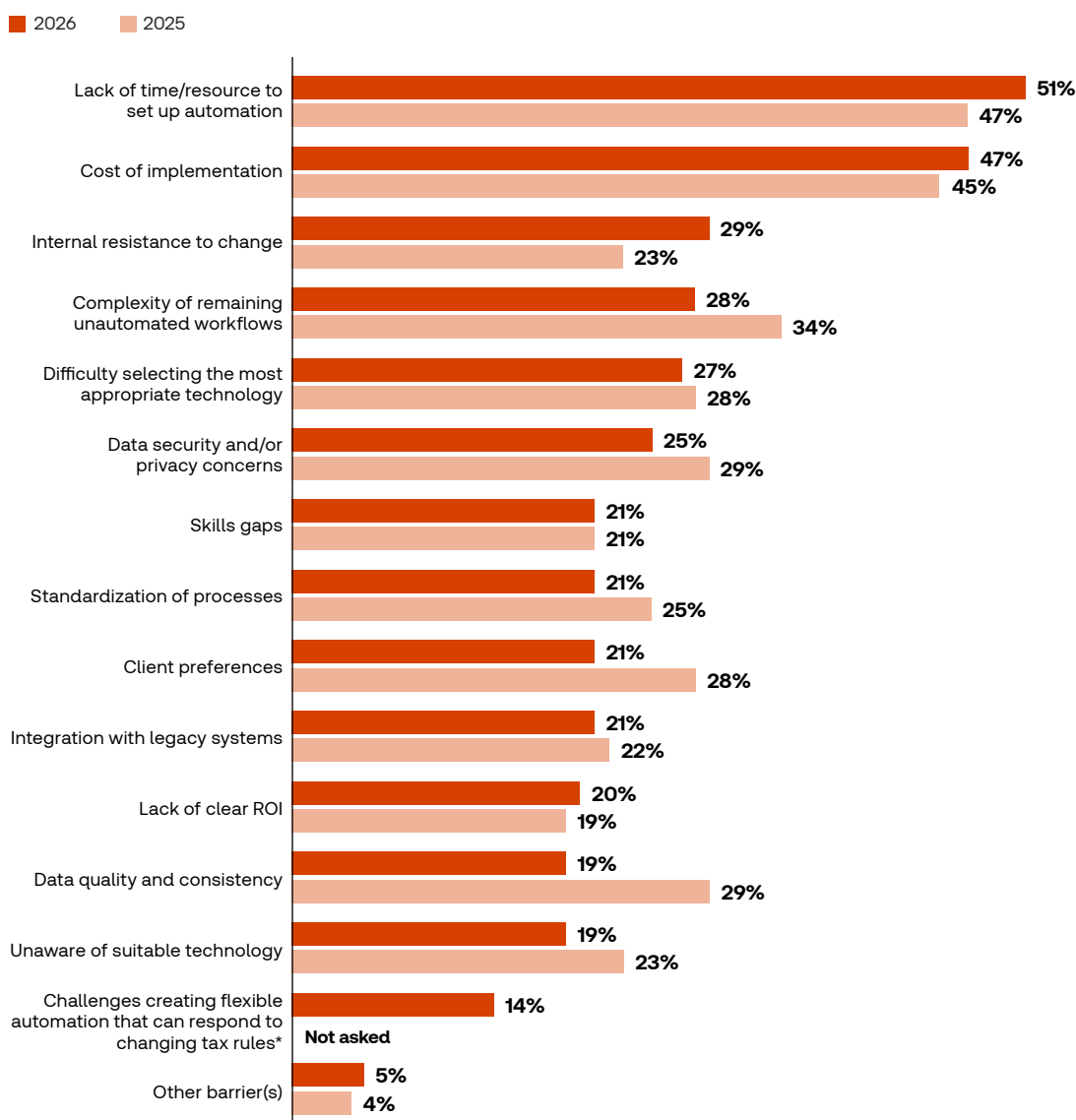
Barriers to adoption

Indeed, there are many barriers preventing firms from automating a greater proportion of their tax workflow processes. More than half (51%) of respondents cite a *lack of time and resources* and 47% cite the *cost of implementation* as top barriers to further automation —the top two reasons by far.

FIGURE 4:

Main barriers to automation

Which of the following are currently the main barriers to automating a greater proportion of workflow process?



Challenges creating flexible automation that can respond to changing tax rules not asked in 2025.

Source: Thomson Reuters 2026

Together, these statistics suggest that after automating a certain percentage of their processes, firms face a constellation of complicating factors that make further automation more difficult. After cost and resources, for example, respondents cite internal resistance to change and workflow complexity as barriers to automation.

This means that after automating the most obvious routine tasks, firms must start answering thornier questions about how and why they may want to pursue additional automation. — and how those priorities compete for resources with other challenges, like talent retention.

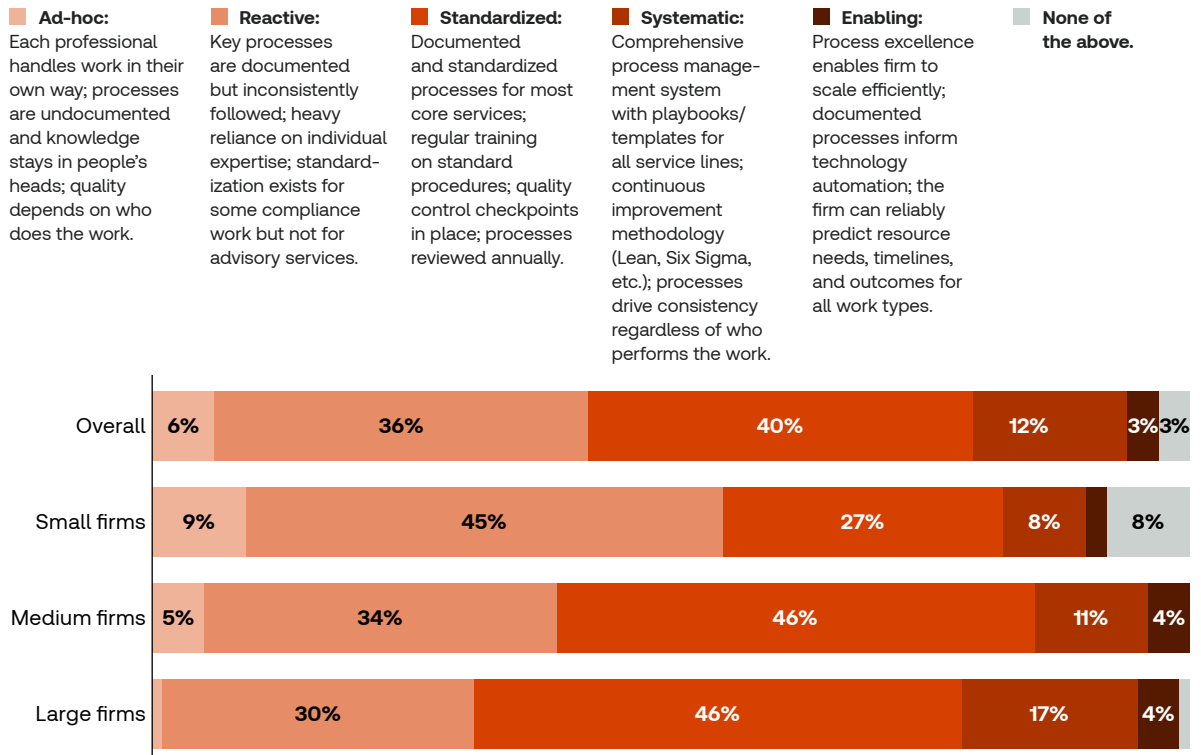
Technological maturity

More than 30% of respondents from large tax firms and 39% of those from midsize firms still classify their tech profile as *ad-hoc* or *reactive*, meaning they have limited system integration and too much siloed data.

Among respondents from small firms, 54% still classify their firm as *ad-hoc* or *reactive*, while 35% say it has reached the *proactive* or *optimized* stage, compared with 56% of respondents from midsize firms and 63% from large firms.

FIGURE 5:
Technology focus: automation adoption

Which of the following statements best describes your firm’s approach to processes and standardization?



Source: Thomson Reuters 2026

Technology delivers the strongest return on investment (ROI) when it is built into workflows and processes, yet only 47% of respondents say their firm operations are *standardized*, with consistent core service processes supported by training and quality review. Not surprisingly, large firms are more likely to have *systematic* and *enabling* processes that use playbooks, templates, and continuous improvement methods to scale efficiently and get more value from their technology investments.

TR Institute's View

Barriers to tech adoption differ by firm size, but every firm should nevertheless have a strategy and roadmap for how they intend to evolve technologically. Without such a roadmap, technological advancement is indeed ad hoc.

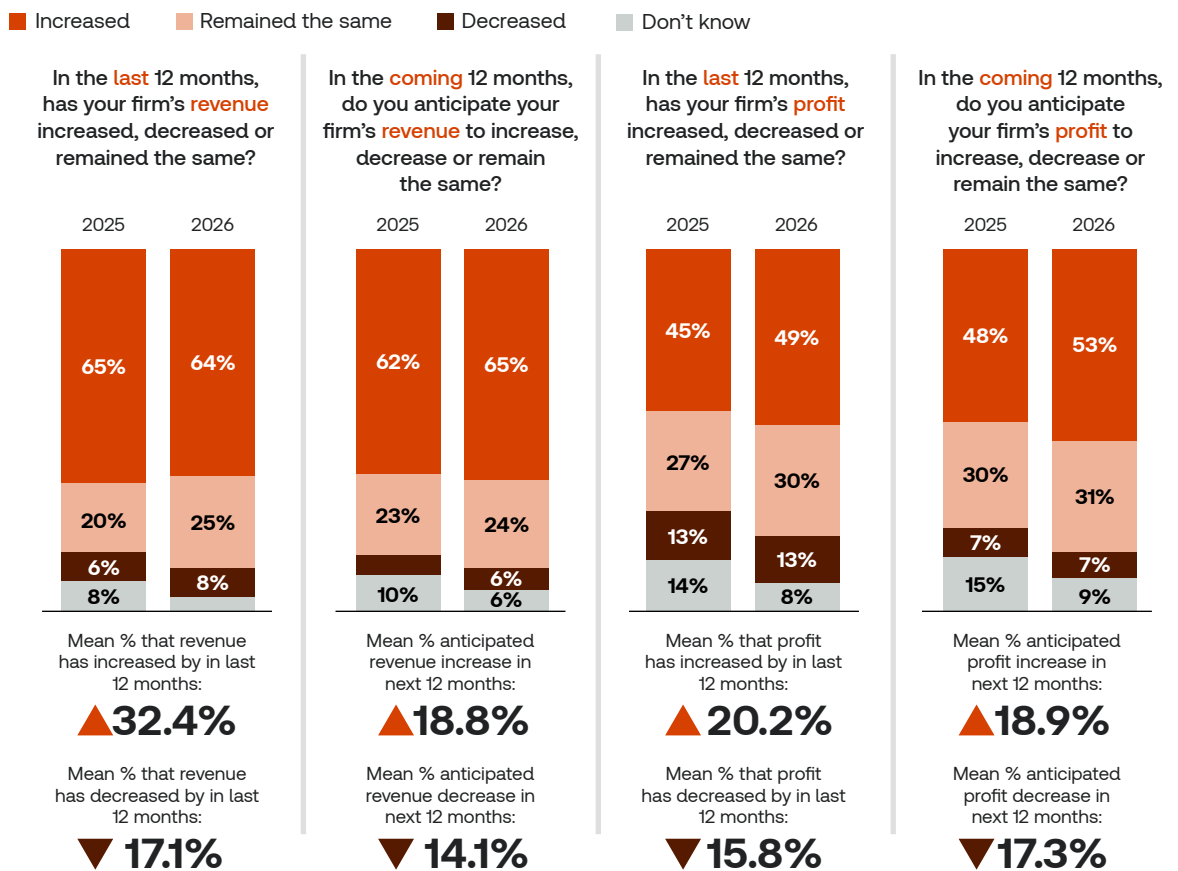
Firm leaders should keep in mind that planning for major tech upgrades can be a time-consuming affair, especially if it's done right. The payoff is a much smoother path to implementation and a more focused, effective usage strategy — one that avoids ill-advised detours and aligns more closely with the firm's larger vision.

Firm growth & development

As a strategic priority, firm growth is second only to efficiencies gained through technology, according to many respondents; however, they also see growth itself not as a strategy, but rather as a goal. And how a firm intends to fuel its desired growth — through hiring, fee increases, different pricing, expanded service offerings, further automation, mergers, or other methods — will determine the strategy necessary to achieve it. Inevitably, however, talent, resource, and leadership issues arise when a firm is actively trying to grow, which introduces factors that can significantly impact a firm’s decision-making process.

Firm strategy and business models

FIGURE 6:
Profits expected to grow in 2026



Source: Thomson Reuters 2026

Despite the formidable macroeconomic challenges facing businesses worldwide, a majority of tax, audit & accounting firms are expecting to see their revenues increase and that this growth trend will continue into the foreseeable future.

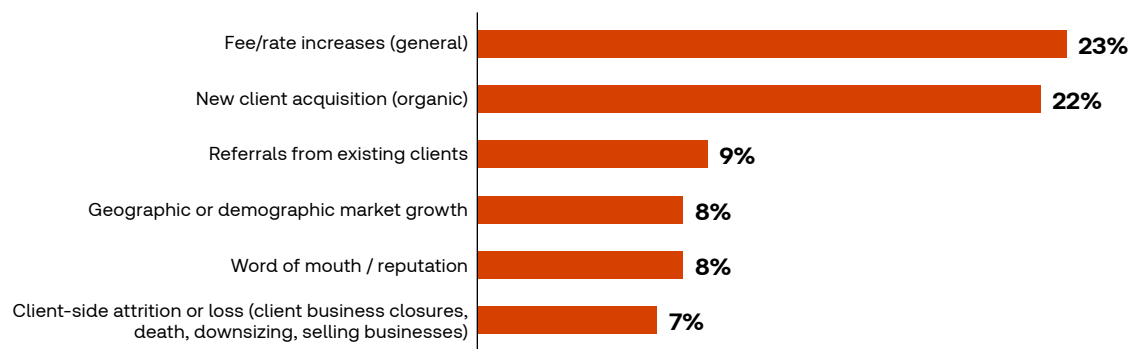
Almost two-thirds (65%) of respondents say their firms expect revenues to increase in the coming year — roughly the same expectation as last year — showing broad, sustained confidence in growth.

The profit picture isn't quite as rosy but still supports an optimistic outlook. Indeed, 49% of respondents report their firms recorded a profit increase over the past 12 months, and 53% say they are anticipating additional profit growth in the next 12 months, a 5-percentage-point increase from last year's survey. Of course, given this, it still means that slightly more than half of tax firms *did not* see their profits increase over the past 12 months, pointing to plenty of systemic factors that may be preventing profit increases across the board despite growing demand for additional services.

FIGURE 7:

Revenue drivers

What would you say was the most significant driver of your firm's change in revenue?



Source: Thomson Reuters 2026

In fact, growing demand for a wider range of services isn't the only factor driving increases in revenues and profits. Overall, the most significant growth drivers over the past 12 months, according to respondents, has been fee increases and the selective acquisition of new clients, cited by 23% and 22%, respectively.

In past surveys, firms have also expressed a desire to shed low-margin clients in favor of those with higher revenue potential, a practice that continues to yield dividends in the form of new clients who may be willing to pay higher rates.

Looking toward the future

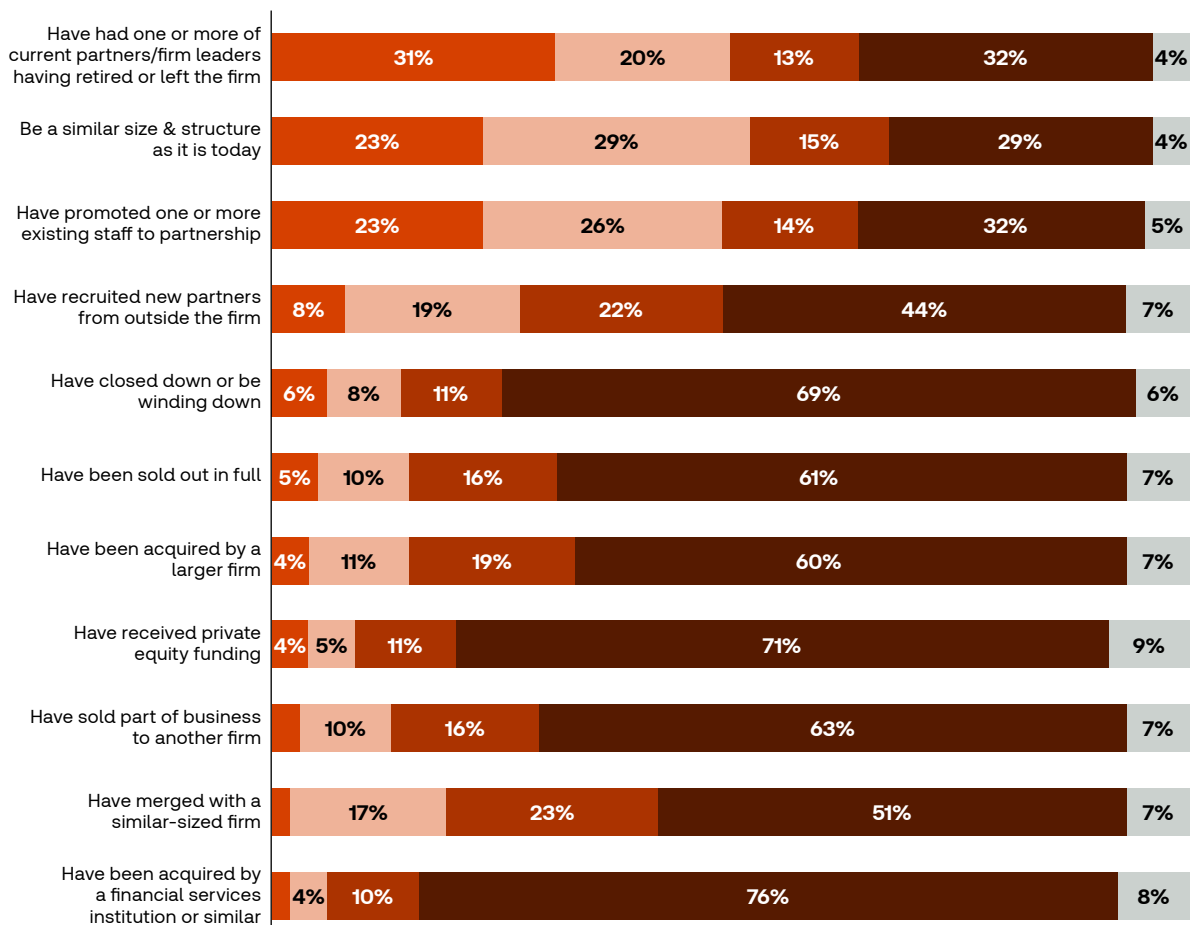
Looking ahead to 2030, tax firm professionals have growth and succession in mind but are also bracing for other possible changes, including consolidation and even closing or selling the business.

FIGURE 8:

Future focus: anticipated changes

Looking ahead to 2030, how likely do you believe it is that your firm will:

■ Highly likely
 ■ Somewhat likely
 ■ Somewhat unlikely
 ■ Highly unlikely
 ■ I really have no idea



Source: Thomson Reuters 2026

Partners either retiring or being promoted is the most anticipated change for 2026, with about half (51%) of respondents saying it was either likely or highly likely to happen at their firm. For most, the expectation appears to be that these roles will be filled from within, as only 27% thought it likely that new partners would be hired from outside the firm.

Respondents were split, however, on whether their firm’s size and structure would remain the same over the next five years, as consolidation of some sort is considered likely by some. Separately, a smaller portion of respondents (between 14% and 15%) say they think it’s likely that their operations would be either winding down, closed, or sold.

TR Institute's View

Although many tax, audit & accounting firms share the goal of growth, the data suggests that firms are pursuing growth in a variety of ways. Some are increasing their headcount and expanding services, while others are maintaining their current headcount but increasing fees, pricing services differently, or selectively nurturing high-value clients.

Growth is not a universal imperative, however. Some firms may instead chose to improve the work/life balance of their employees or focus more on work satisfaction and other cultural attributes that make a firm stronger and more resilient, even if not necessarily more profitable.

While either path is a perfectly legitimate business strategy, it is rare for a firm to successfully blend an aggressive growth strategy with an equally ambitious commitment to worker satisfaction.

Talent acquisition & retention

A chronic shortage of qualified talent is the most persistent problem facing tax firms today, the survey shows. The pipeline for new talent is shrinking, senior practitioners are retiring, and competition for qualified candidates is intense. Further, the downstream ripple effects of the talent shortage — constant overwork, growing skills gaps, capacity constraints — touch every other challenge that respondents cite in this report. Indeed, the inability to hire and keep valuable talent limits service capabilities, growth potential, advisory expansion, and technology adoption. Talent issues can also affect leadership quality, complicate succession plans, and impact decision-making.

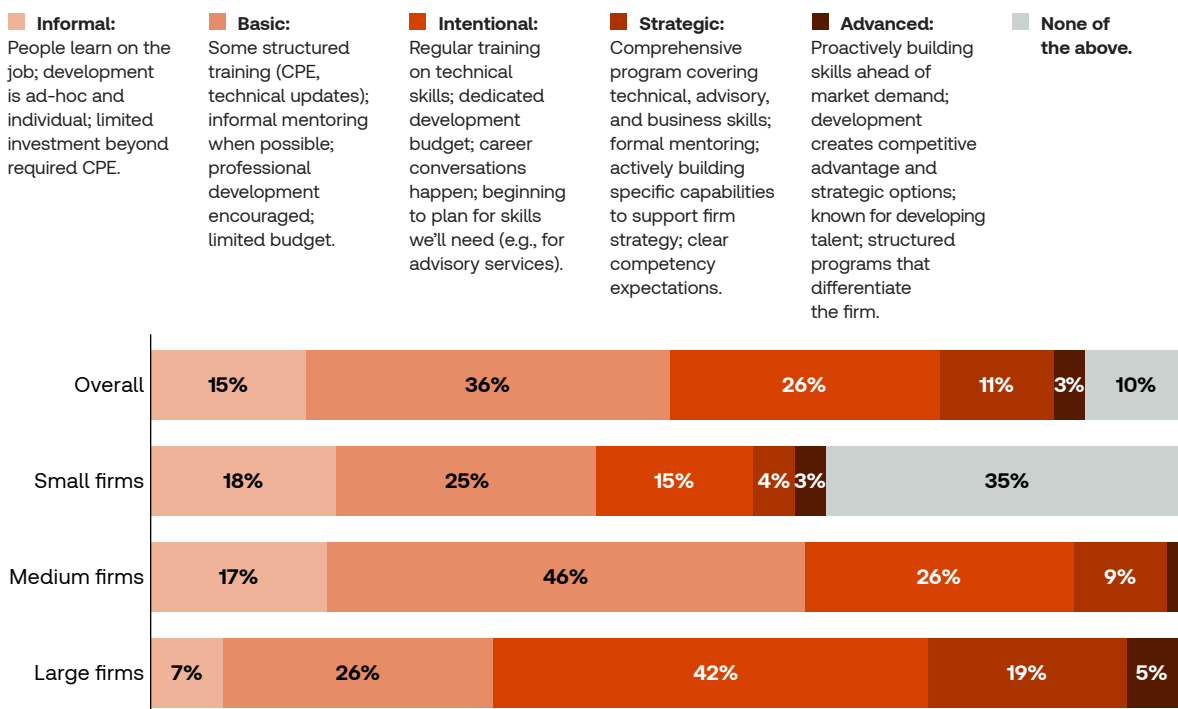
The tax profession has spent years trying to solve the talent pipeline issue, without much success. Tax firms now have no choice but to face this unfortunate reality head on by implementing strategies that address their talent challenges, such as structured training programs, clearer paths for promotion, specialized skills development, individualized support, and cultural perks.

Training as a key imperative

Directing more time and resources into training and development is one of the most effective ways to address talent and retention issues, according to respondents, yet fewer than half (49%) say their firms employ an intentional, strategic approach to personnel development. The likelihood of encountering a comprehensive, proactive training or development program does increase significantly with firm size.

FIGURE 9:
Training strategy by firm size

Which best describes your firm’s approach to developing people?



Source: Thomson Reuters 2026

Indeed, two-thirds (67%) of large firms have *intentional* training programs with dedicated budgets and clear development goals, and one quarter (24%) of those firms have development programs that are either *strategic* or *advanced*, meaning they are designed specifically to build, support, and extend the firm’s capabilities and yield competitive advantages.

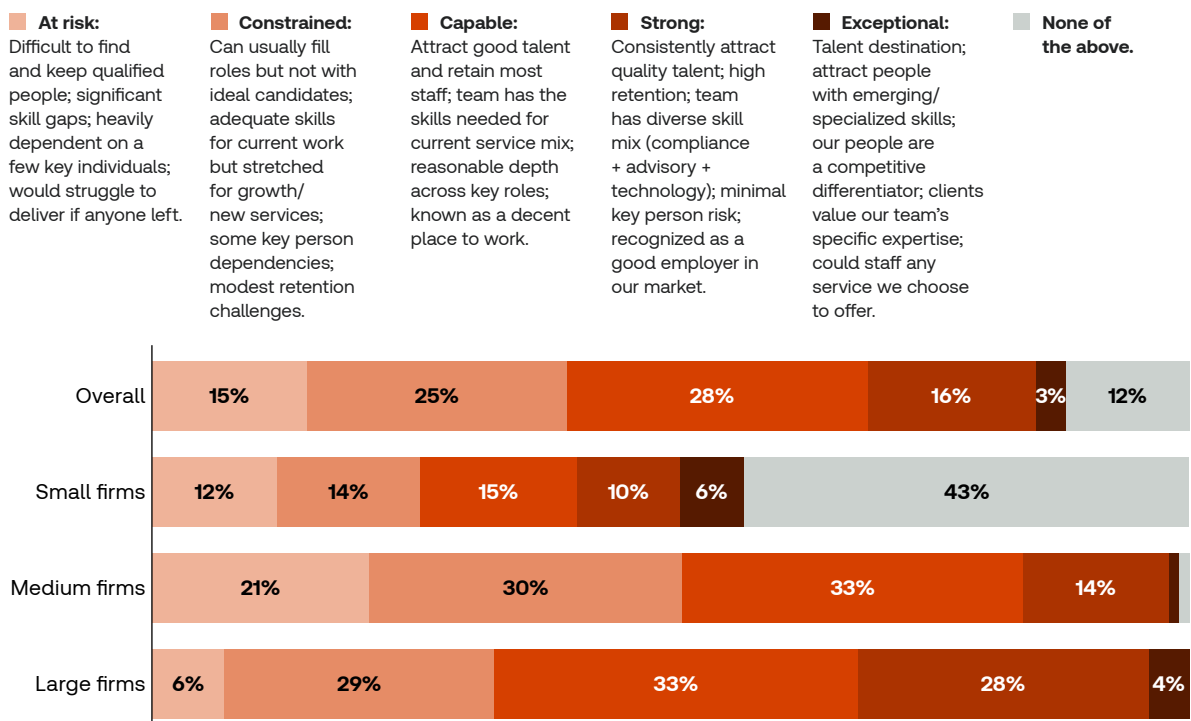
Talent risks and constraints

Not surprisingly, midsize firms tend to feel the talent squeeze from both sides. First, they face challenges recruiting top young talent due to competition from larger firms, and second, they see difficulties retaining quality talent because of more appealing opportunities elsewhere.

FIGURE 10:

Medium firms can’t retain skilled talent

Which of the following statements best describes your firm’s current talent and capabilities?



Source: Thomson Reuters 2026

As a result of this twin pressure, 22% of respondents from midsize firms say a shortage of talent is the top obstacle to achieving firm goals; and 51% of respondents from midsize firms also say their firm’s capabilities are constrained or at risk because of talent issues.

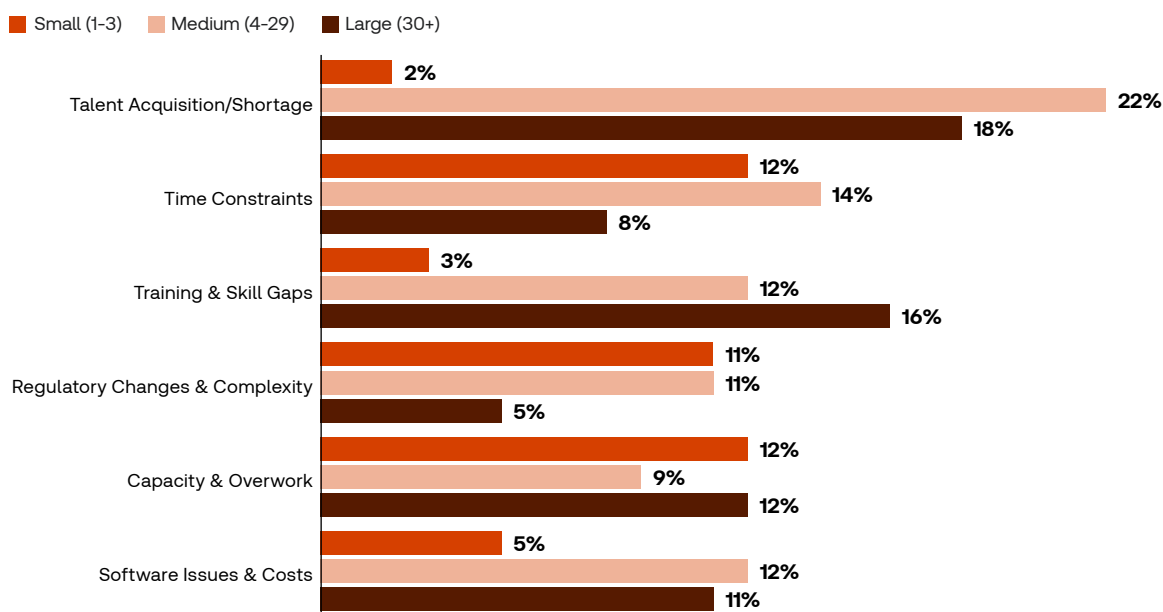
To be fair, 40% of all respondents say their firm’s capabilities are constrained or at risk because of talent issues, with 35% of respondents from large firms saying this as well.

However, large firm respondents also report a much greater ability to attract and retain a diverse array of quality talent and to employ *exceptional* professionals who have specialized skills and whose expertise is a powerful competitive differentiator.

Small firms land somewhere in between, but don't feel nearly as vulnerable, with just 26% of small firm respondents saying their firm's capabilities are constrained or at risk because of talent issues, probably because both their existing talent roster and current service models are more reliably stable.

FIGURE 11:
Talent remains the top challenge

What do you anticipate hindering the achievement of your firm's goals this year?



Source: Thomson Reuters 2026

TR Institute's View

Given the uncertainties and fluidity of the current employment landscape, a wise strategy — no matter the firm size — is to base personnel development on the goals and vision of the firm you are trying to build, not the firm as it is now or was in the past.

Firm size tends to dictate the strategy and resources required, of course, and large firms do have a resource advantage, but borrowing best practices from large firms isn't always practical for smaller firms. It is more important for all firms to develop solutions that are achievable for their size, resource availability, and goals for the future — and then execute those plans to the best of their ability.

Expanding client services

Almost three-quarters (74%) of tax professionals surveyed say most of their clients strongly want a trusted advisor relationship, so many firms — not surprisingly — are responding by expanding their advisory service offerings.

However, margins for advisory services are lower compared to those for tax-return preparation, indicating that firms may be underpricing their advisory services relative to demand. The survey also shows that hourly billing is still the predominate pricing model in the industry, but high-margin firms tend to use more fixed-fee and value-based pricing.

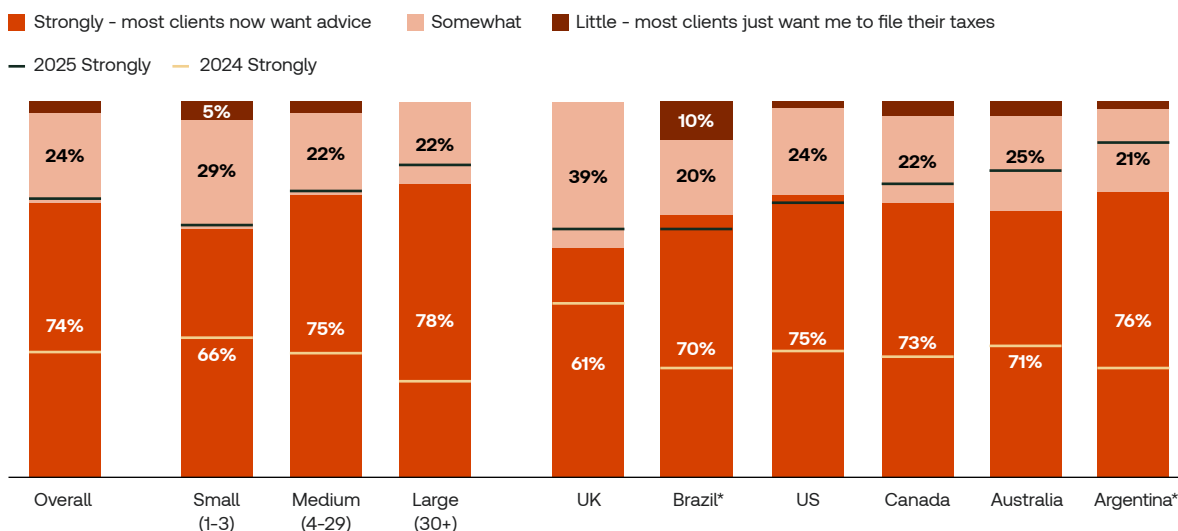
The advisory shift

For many years now, tax, audit & accounting firms have been battling the commodification of routine tax preparation by expanding their services in other areas, particularly advisory services such as tax strategy, business consulting, decision support, and financial planning.

FIGURE 12:

Demand for advice remains consistent

To what extent do you feel your clients want you to act as a trusted advisor, as well as filing their taxes?



*2024 data shows grouped Latin America figures.

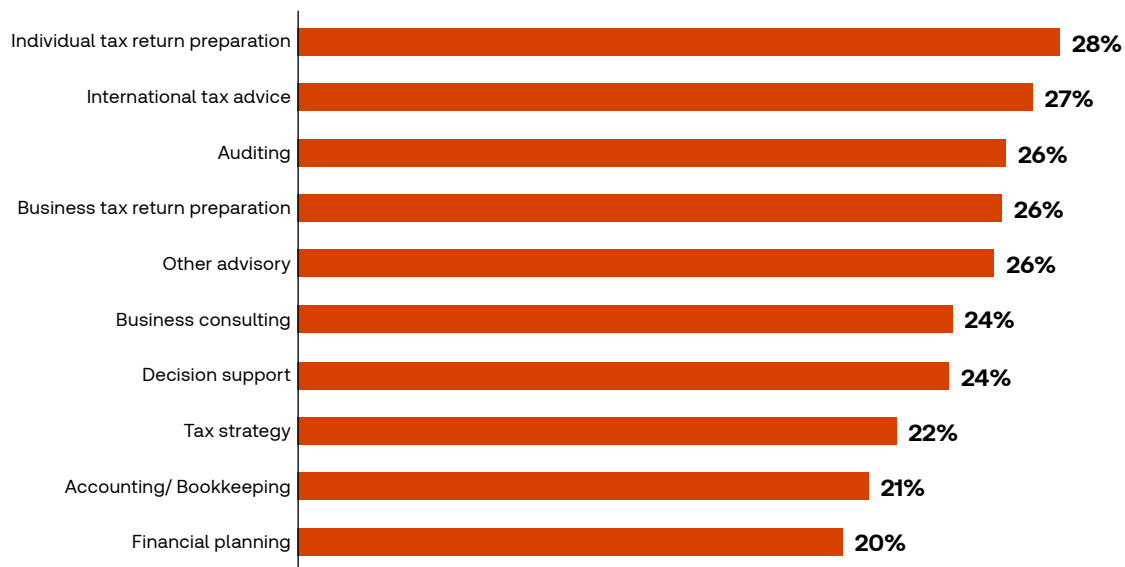
Source: Thomson Reuters 2026

However, when asked which services yield the highest profit margin, respondents rated individual tax-return prep as the highest-margin service they offer at 28%. International tax advice came in a close second at 27%, followed by auditing (26%), and business tax-return preparation (26%). Other services — business consulting, decision support, tax strategy, bookkeeping, and financial planning — all fell in the 20% to 24% range. While this is still respectable, it’s not quite as high as the most profitable services.

FIGURE 13:

Tax prep remains top earner

Please estimate the approximate percentage profit margin of each of your firm’s service lines.



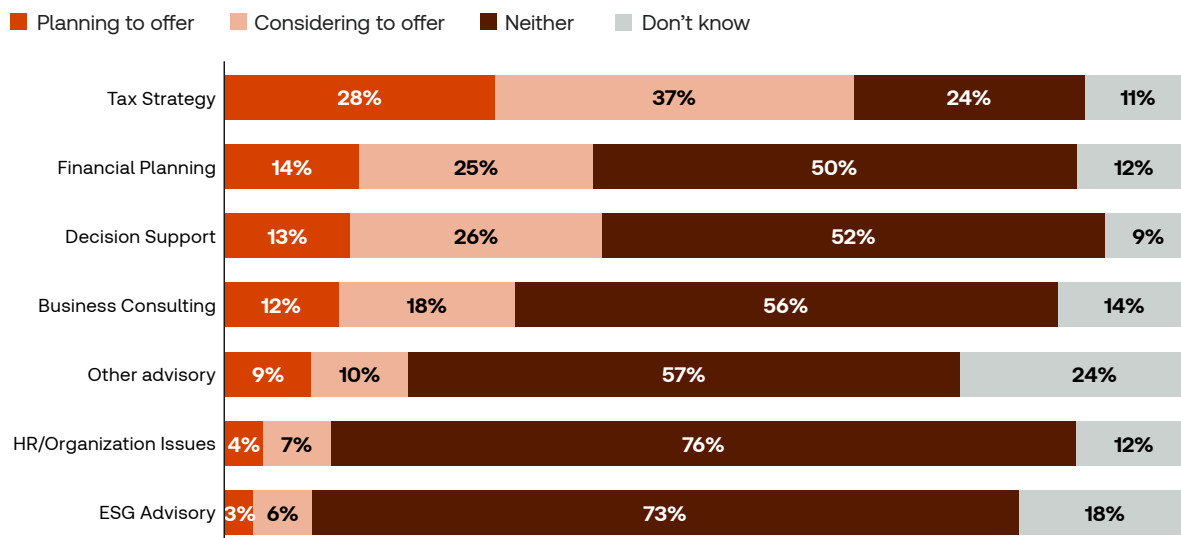
Source: Thomson Reuters 2026

These margin disparities suggest that advisory services have yet to reach their full profit potential, especially given the high demand among clients for advisory services. Firms need to carefully consider pricing structures that better match pricing with the true value of the service provided — and communicate that value to clients with more confidence.

FIGURE 14:

Tax strategy tops advisory services

Which of the following services does your firm plan to start offering to clients in the next 12 months?



Source: Thomson Reuters 2026

Of the services that firms say they are planning to offer in the next 12 months, tax strategy remains the most popular option, with 28% of respondents saying their firms plan to offer it and 37% considering it, similar to last year. Decision support rose to the second position, with 14% saying their firm plans to offer it, while financial planning slipped to third (13%) dropping significantly from 2025.

Pricing models

There is much discussion in tax circles about the relative merits of different pricing models, but hourly pricing remains the most common, with 78% of respondents saying their firms primarily use hourly billing, including nine out of ten (91%) large tax firms.

FIGURE 15:
Pricing models for 2026

Which of the following pricing models does your firm currently offer to clients and which, if any, do you plan to introduce in 2026?



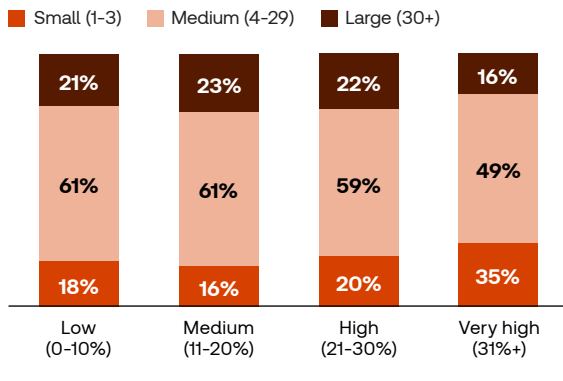
Source: Thomson Reuters 2026

Overall, 73% of respondent say their firms also offer flat-fee pricing, making it the second-most-popular option. Further, interest in value-based pricing is on the rise (with 55% saying their firm offers it and 14% saying they are planning to). Large firms in particular are increasingly enamored of value-based pricing, with 60% of large firm respondents saying their firm already offers it and 20% saying they are planning to introduce it within the year.

FIGURE 16:

Profitability by firm size

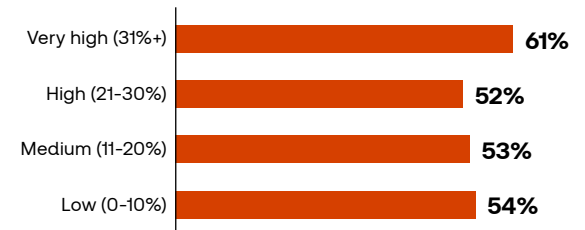
Tracking profit by firm size



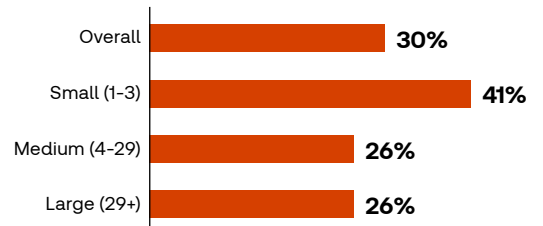
Proportions of firms who currently offer value-based pricing by firm size



Proportions of firms who currently offer value-based pricing by profitability group



Profit margin %



Source: Thomson Reuters 2026

Further, those tax firms with the highest profit margins (31% or more) use proportionally more value-based pricing than firms with lower margins. By percentage, large tax firms tend to lean on value-based pricing more than small and midsize firms (60% compared to 57% and 48%, respectively). However, a higher proportion of small and midsize firms fall into the high-margin category, which suggests that smaller firms that are using value-based pricing are getting more value out of it, effectively supercharging their profit potential.

TR Institute's View

The advisory pricing gap is not caused by lack of demand—the root cause is lack of confidence in the value of the services provided and a certain lack of discipline or will to charge appropriately for those services. Simply put, most firms are undercharging for advisory services because they have not established an evidence-based rationale for charging higher fees or adjusting their pricing model to reflect the true value of those services. More appropriate pricing needs to be packaged and presented to clients in a way that encourages them to appreciate the value of the service they are receiving and why the fee being charged is appropriate and fair.

Moving to higher value work

Tax, audit & accounting firms derive their profit margins from the time spent serving client needs and the revenue generated by those activities. However, according to half of survey respondents, spending too much time on low-value, low-margin work is the top barrier to greater firm profitability.

To improve profit margins, firms need to maximize high-value work, minimize low-value work, and deliver a level of service quality for which clients are willing to pay top dollar.

Common characteristics of high-margin firms

While high-margin firms return an average 41% profit margin, they also tend to be smaller. Meanwhile, the average profit margin at midsize and large firms is 26%. To boost their margins, midsize and large firms need to find ways to counteract the cascade of costs and complexities that come with growth and scale.

Not surprisingly, those firms generating very high profit margins (31% or more) share a few important qualities, such as greater control over their costs, clients, workload, and pricing portfolio. High-margin firms also are more adept at using technology to maximize efficiency and using metrics to track their performance and understand their cash flow. They also are more likely to drop unprofitable clients, and use diversified pricing structures — such as value-based pricing — that optimize profits and give clients more billing options.

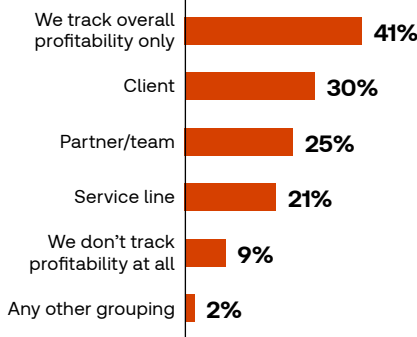
Tracking and improving profitability

The data shows that higher-margin firms track their profitability very closely, yet only four out of ten (41%) of respondents say their firms track overall profitability and fewer still track it by other means. And 9% say their firms don't track profitability at all. However, of those firms that do track profitability, 30% track it monthly, 21% track it quarterly, and 23% track it annually, according to the survey.

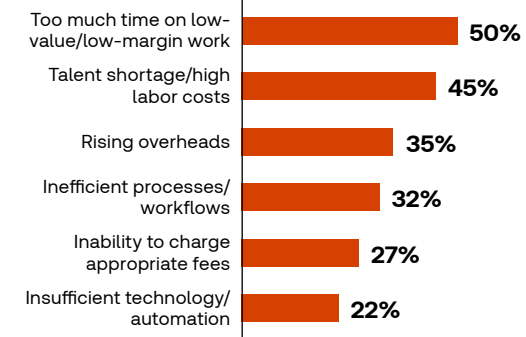
FIGURE 17:

Profitability tracking and improvement

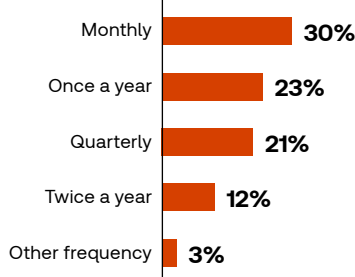
Does your firm systematically track profitability by any of the following?



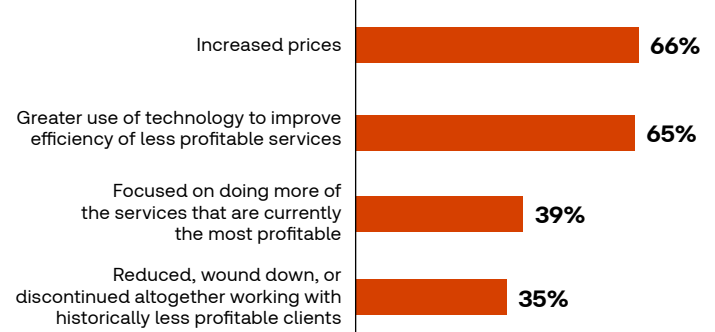
Which of the following are the main barriers preventing your firm from being more profitable?



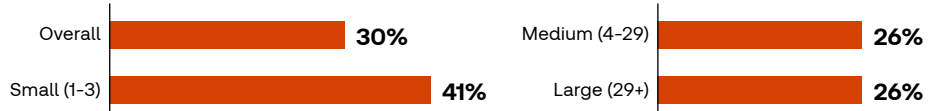
How frequently does your firm formally review profitability figures?



Which of the following has your firm done in the past 12 months, to improve profitability?



Profit margin %



Source: Thomson Reuters 2026

Another factor to consider is that low-value, low-margin, time-consuming work (cited as the top barrier to profitability) is also work that arguably can or should be automated. Labor costs (45%) and rising overheads (35%) are the next most common barriers, followed by inefficient processes and workflows, all of which can be improved using AI-driven automation.

Little surprise then that one of the most common tactics for improving firm profitability, used by 65% of respondents, is greater use of technology, rivaling only increasing prices (66%) as another favorite tactic. Interestingly, 27% of respondents cite their firm's inability to charge higher fees as a significant barrier to profitability.

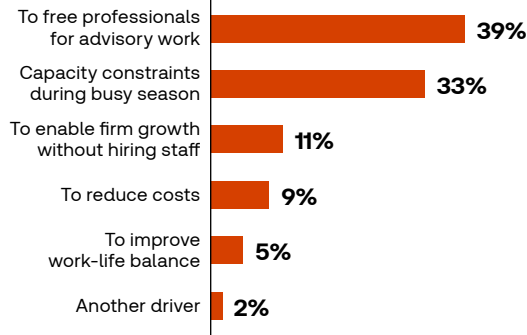
Task reallocation

To address skills gaps and capacity issues without hiring additional staff, there has also been a slight uptick in the practice of *task reallocation*, which involves off-loading non-essential senior-level work to more junior staffers or administrators to free up time and control costs.

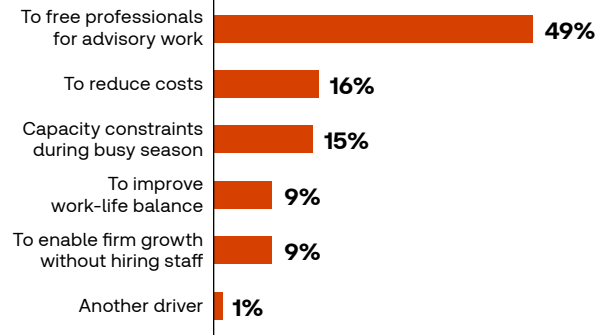
FIGURE 18:

Task reallocation trend

(If reallocated) What was the primary driver for task reallocation?



(If considering) What is the primary driver for considering task reallocation?



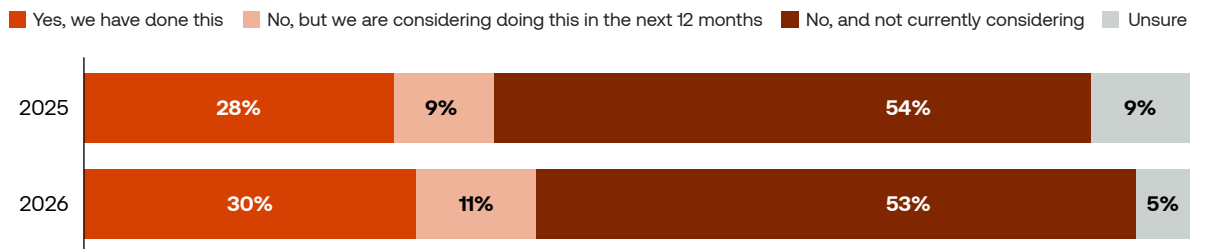
Source: Thomson Reuters 2026

Overall, 30% of respondents surveyed say their firms reallocated tasks in the past year (up slightly from 2025) and 11% say their firms are considering it in the coming year (also up slightly). For those firms that have reallocated tasks, the primary driver was to free up time for tax professionals to do advisory work (39%), and to address capacity constraints during the busy tax season (33%).

FIGURE 19:

Task reallocation trend

Has your firm reallocated tasks from tax/accounting professionals to others without similar qualifications, in the past year?



Source: Thomson Reuters 2026

TR Institute's View

In the larger picture, the desire for higher profit margins isn't just a matter of cost containment or efficiency. Rather, it really comes down to addressing more basic questions around what kind of firm you are trying to build and how.

The best-performing tax firms aren't simply automating routine work; they are making strategic decisions about which clients to prioritize, what service mix to offer, what pricing models to use, and how best to balance the competencies of their staff with the capabilities of their technology. The better a firm understands what it does best and why, the more likely it is to reap the rewards it seeks.

Becoming the tax firm you want to be

As this year's *State of Tax Professional Report* makes clear, the tax, audit & accounting industry remains financially strong despite ongoing pressure on the talent pipeline. Healthy margins and confidence in future performance reflect tax professionals' belief in their firms' ability to adapt while continuing to meet client demand.

That resilience has been driven largely by gains in efficiency from technology investment and by the expansion of higher-value services supported by more flexible pricing models.

However, the report also makes clear that long-term success will depend on more than automation. As firms pursue growth, they will still need to invest in experienced people and in strong client relationships — aspects that continue to remain at the core of the tax profession.

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