CCH® AnswerConnect

Virtual **Coffee Talk**
A discussion of the latest tax updates

How Generative AI will Impact Tax Compliance

Kevin M. Jacobs, Managing Director
at Alvarez & Marsal Tax, LLC

Cody Dixon, Managing Director
at Alvarez & Marsal Tax, LLC

Kevin DeYoung, Lead Product Manager
at Wolters Kluwer

June 28, 2023

Wolters Kluwer | A&M TAXAND

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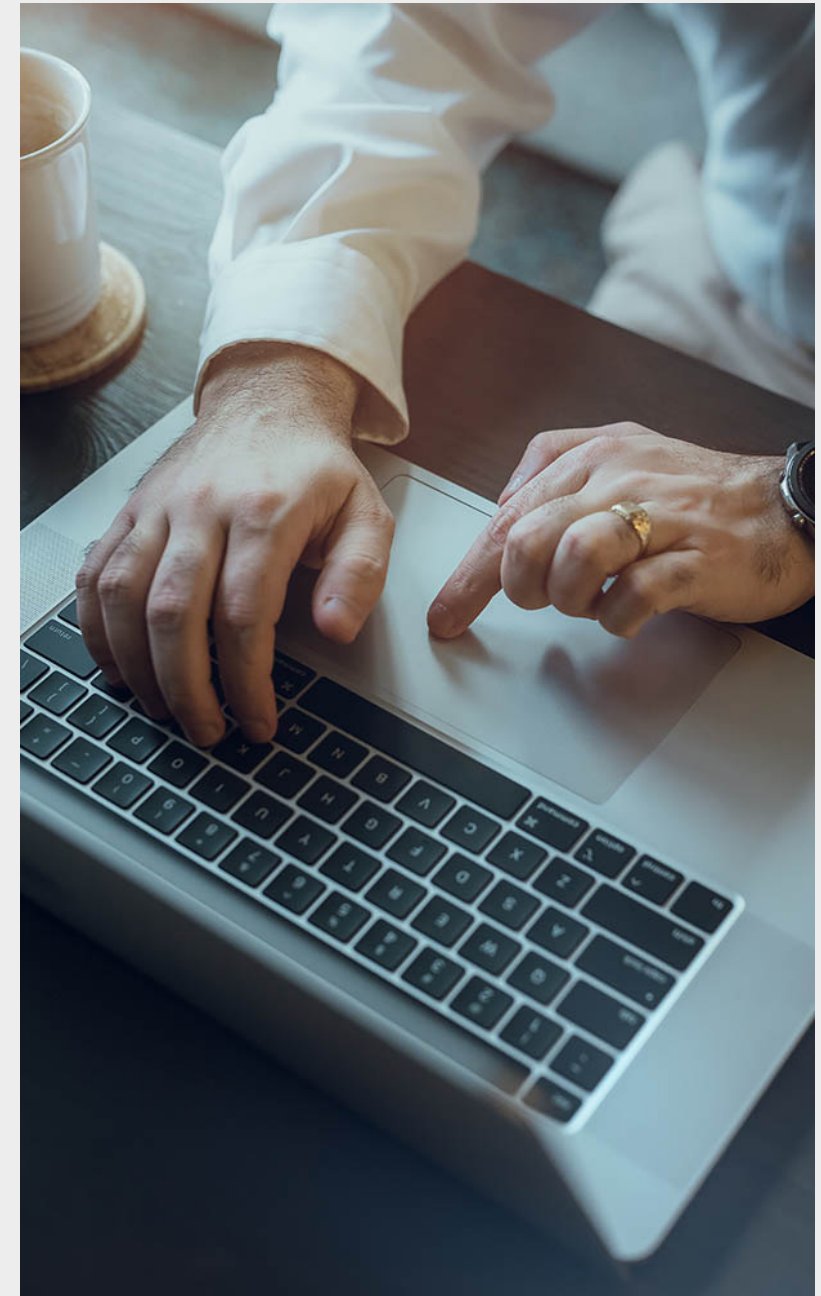
Today's speakers

Kevin M. Jacobs

Managing Director
Alvarez & Marsal Tax, LLC

Cody Dixon

Managing Director
Alvarez & Marsal Tax, LLC

Kevin DeYoung

Lead Product Manager
Wolters Kluwer
TAA North America

Agenda

- What is Generative AI?

- What is Prompt Engineering?

- How will Generative AI impact tax compliance?

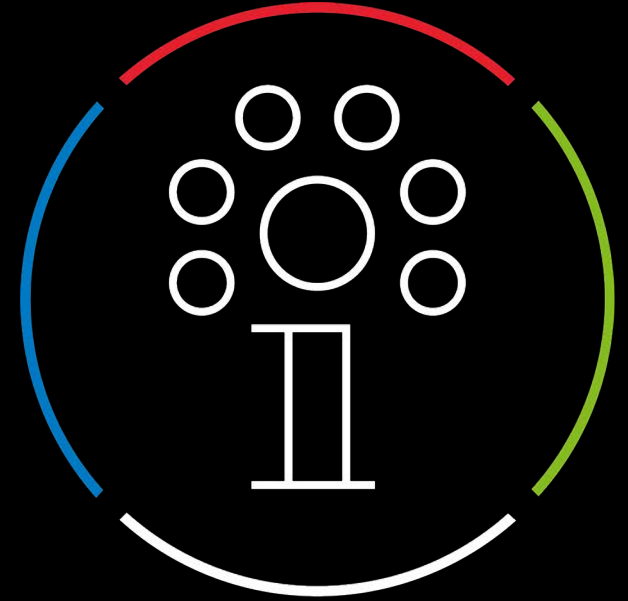- Additional Information in CCH® AnswerConnect

Polling question #1
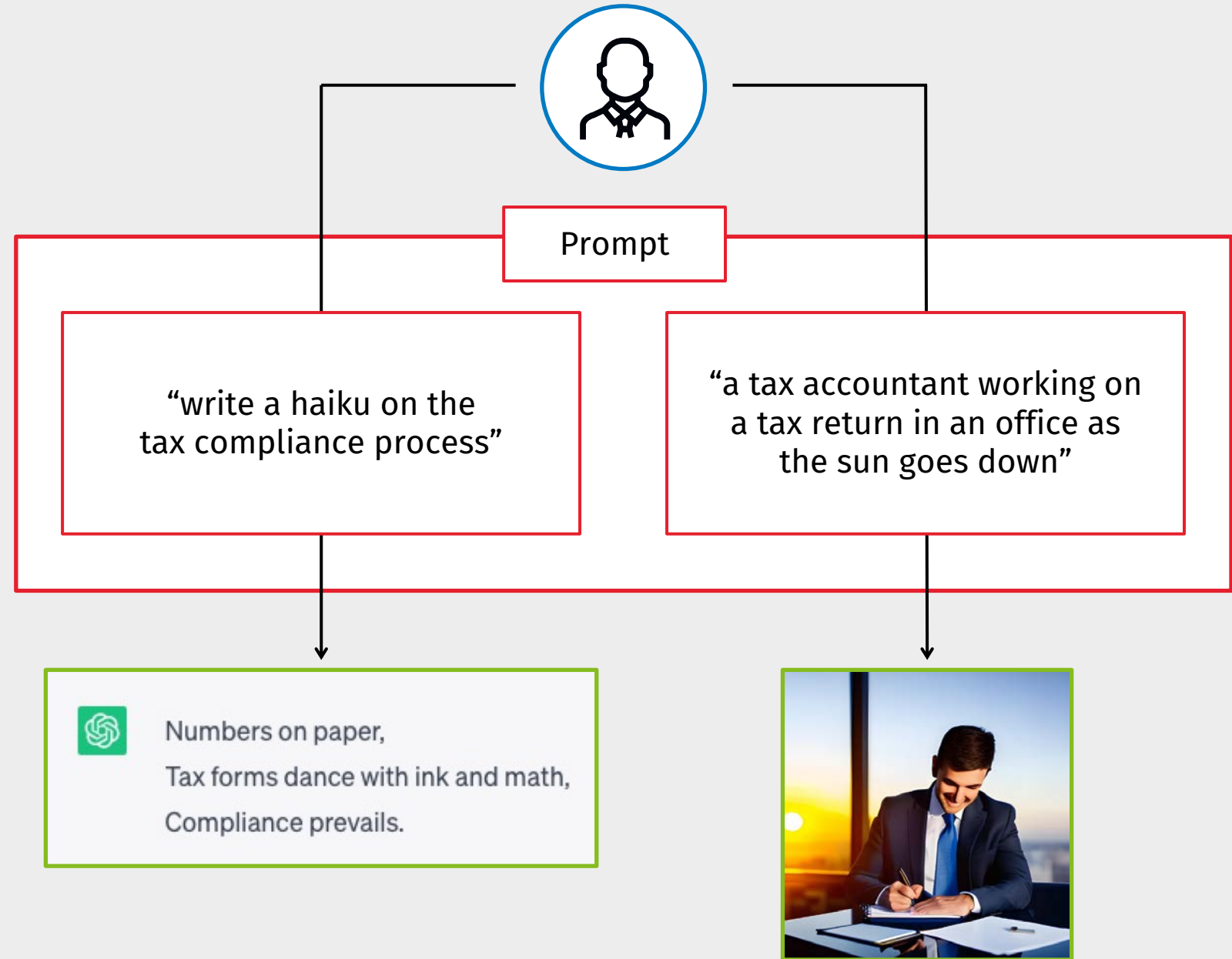
Have you experimented with Generative AI yet?

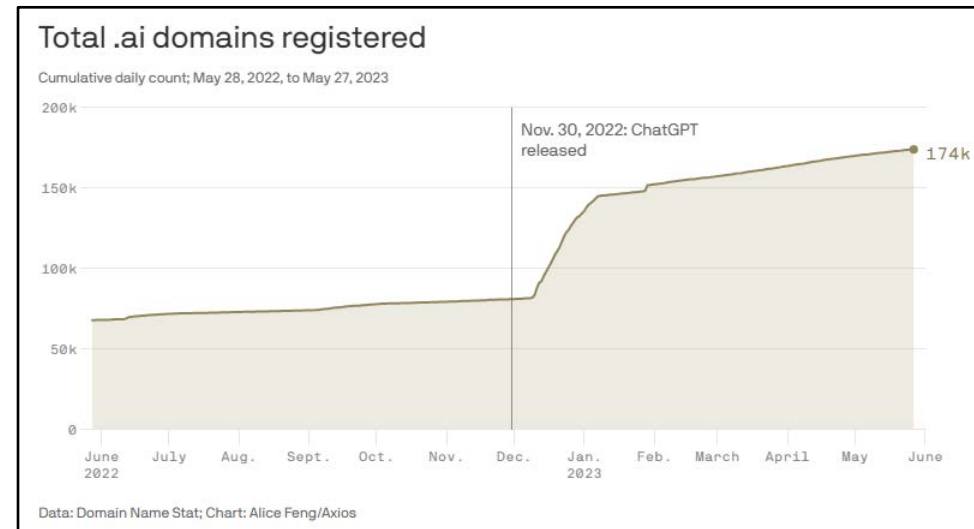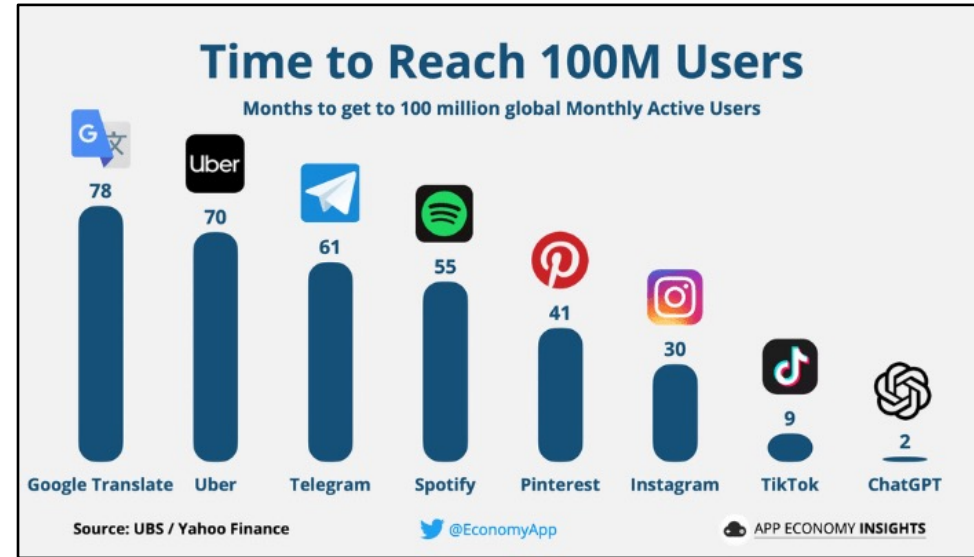A. Yes
B. No
C. I've never heard of Generative AI

What is Generative AI?

Generative AI are deep learning models that create content such as text, images, and insights through prompt.

Prompt

"write a haiku on the tax compliance process"

"a tax accountant working on a tax return in an office as the sun goes down"

Numbers on paper,
Tax forms dance with ink and math,
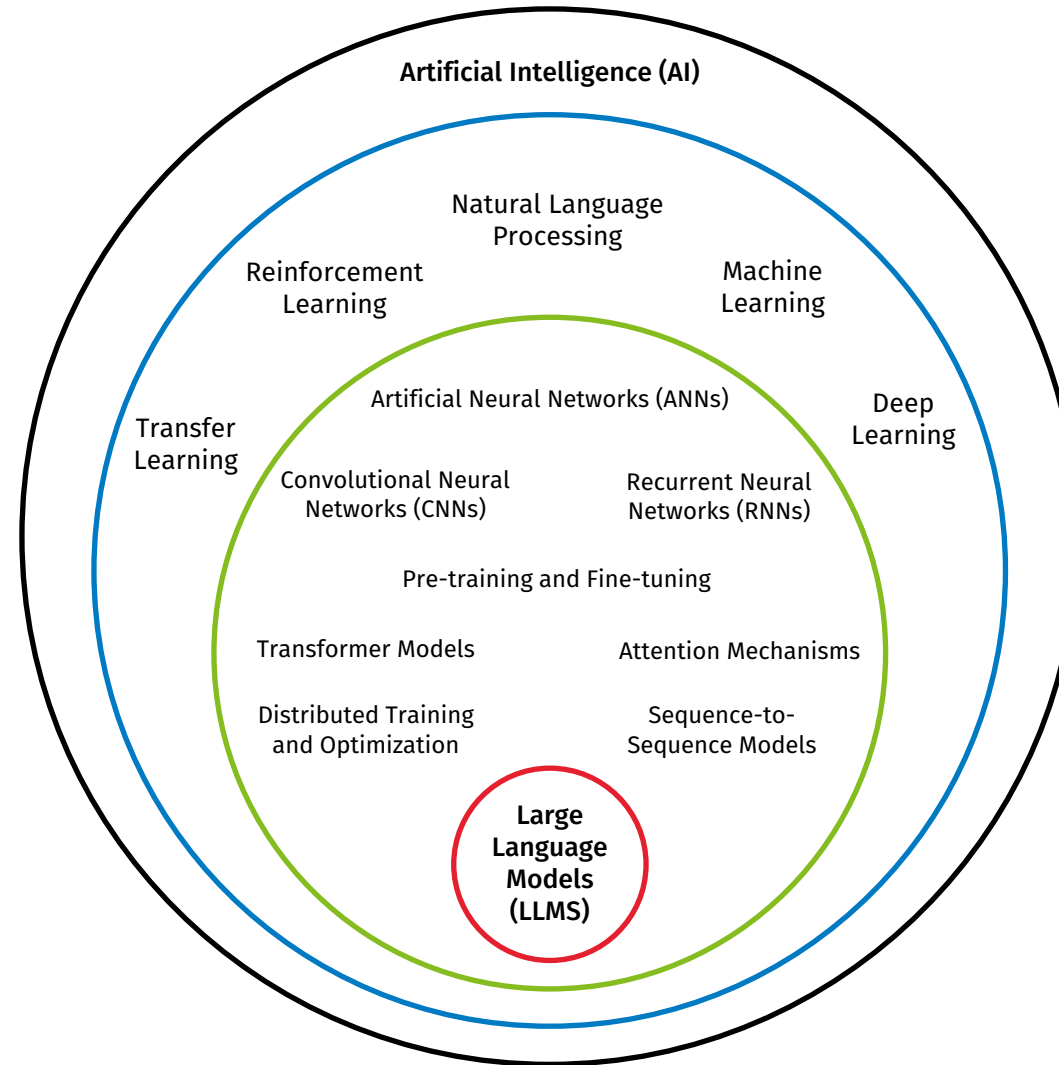Compliance prevails.

- On Nov. 30, 2022, ChatGPT was launched.

- By Feb. 4, 2023 ChatGPT had 100M monthly active users.

- Day by day we're seeing ChatGPT and other Large Language Models (LLM) become more mainstream.

Time to Reach 100M Users
Months to get to 100 million global Monthly Active Users

Google Translate	Uber	Telegram	Spotify	Pinterest	Instagram	TikTok	ChatGPT
78	70	61	55	41	30	9	2

Source: UBS / Yahoo Finance   @EconomyApp   APP ECONOMY INSIGHTS

Total .ai domains registered
Cumulative daily count; May 28, 2022, to May 27, 2023

Nov. 30, 2022: ChatGPT released

174k

June 2022, July, Aug., Sept., Oct., Nov., Dec., Jan. 2023, Feb., March, April, May, June

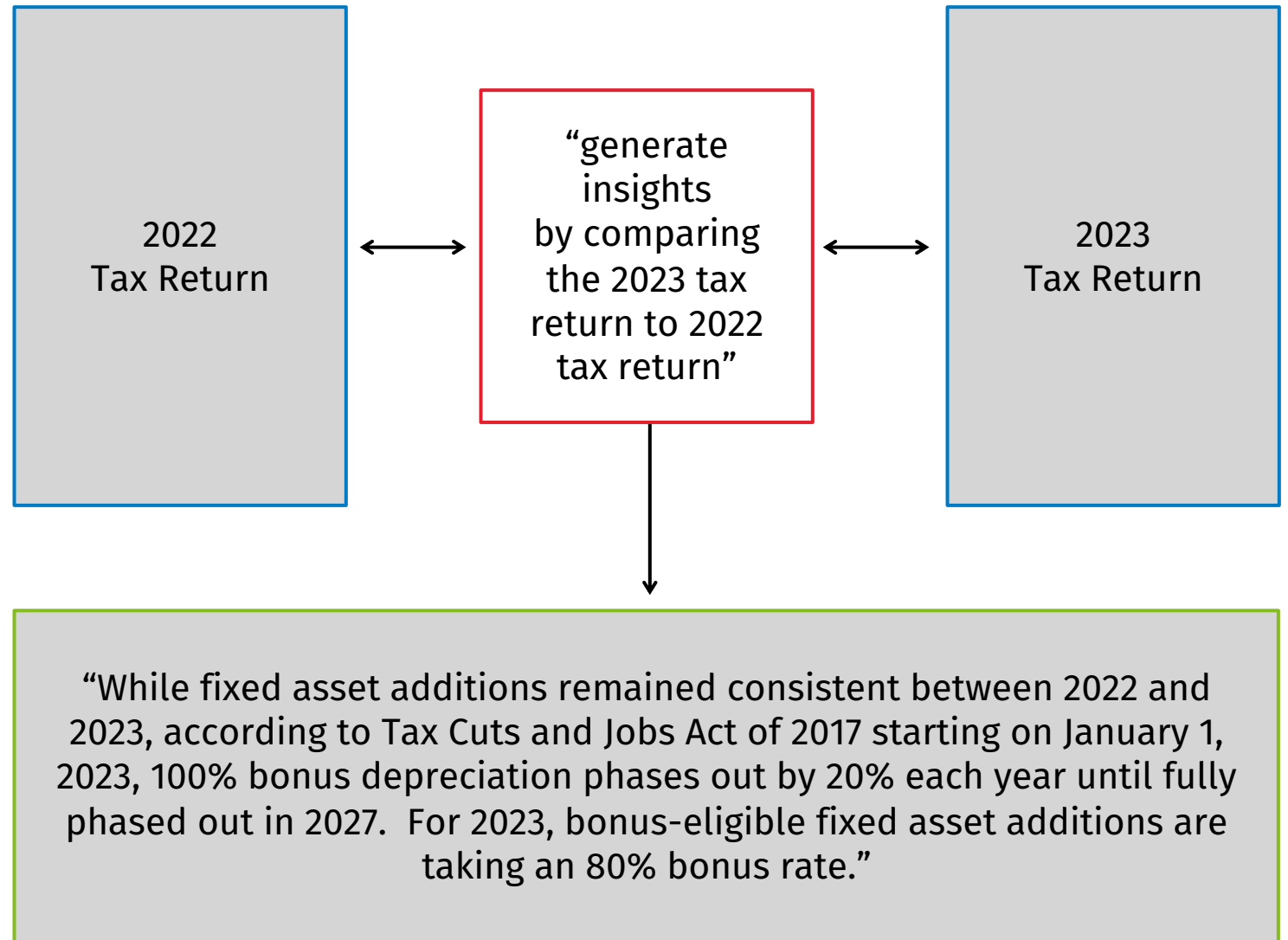Data: Domain Name Stat; Chart: Alice Feng/Axios

Companies are looking to adopt Generative AI into all areas of business, **including tax**.

AI isn't new for tax, but **Large Language Models** present new use cases for AI.
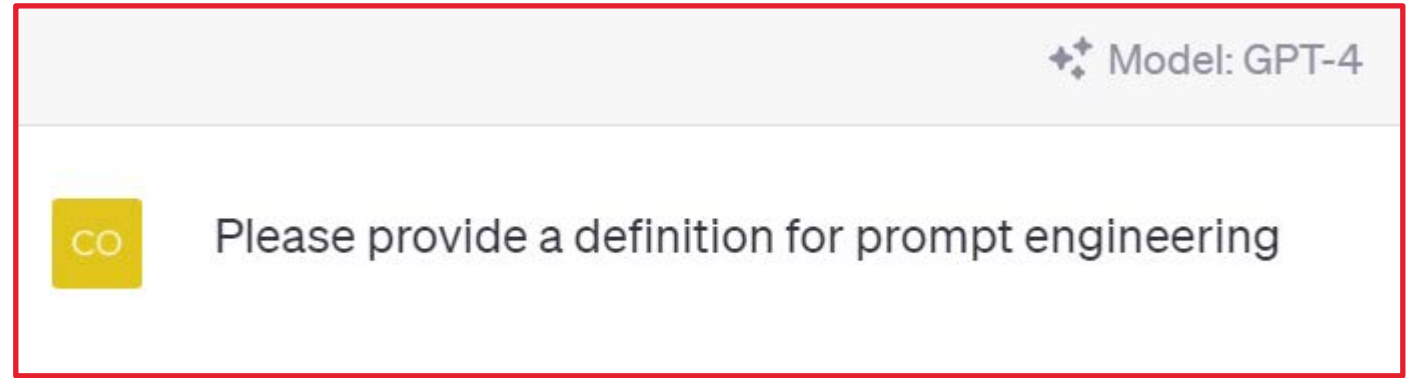
Use Case for Generative AI and Tax Compliance

2022
Tax Return

"generate insights by comparing the 2023 tax return to 2022 tax return"

2023
Tax Return

"While fixed asset additions remained consistent between 2022 and 2023, according to Tax Cuts and Jobs Act of 2017 starting on January 1, 2023, 100% bonus depreciation phases out by 20% each year until fully phased out in 2027. For 2023, bonus-eligible fixed asset additions are taking an 80% bonus rate."
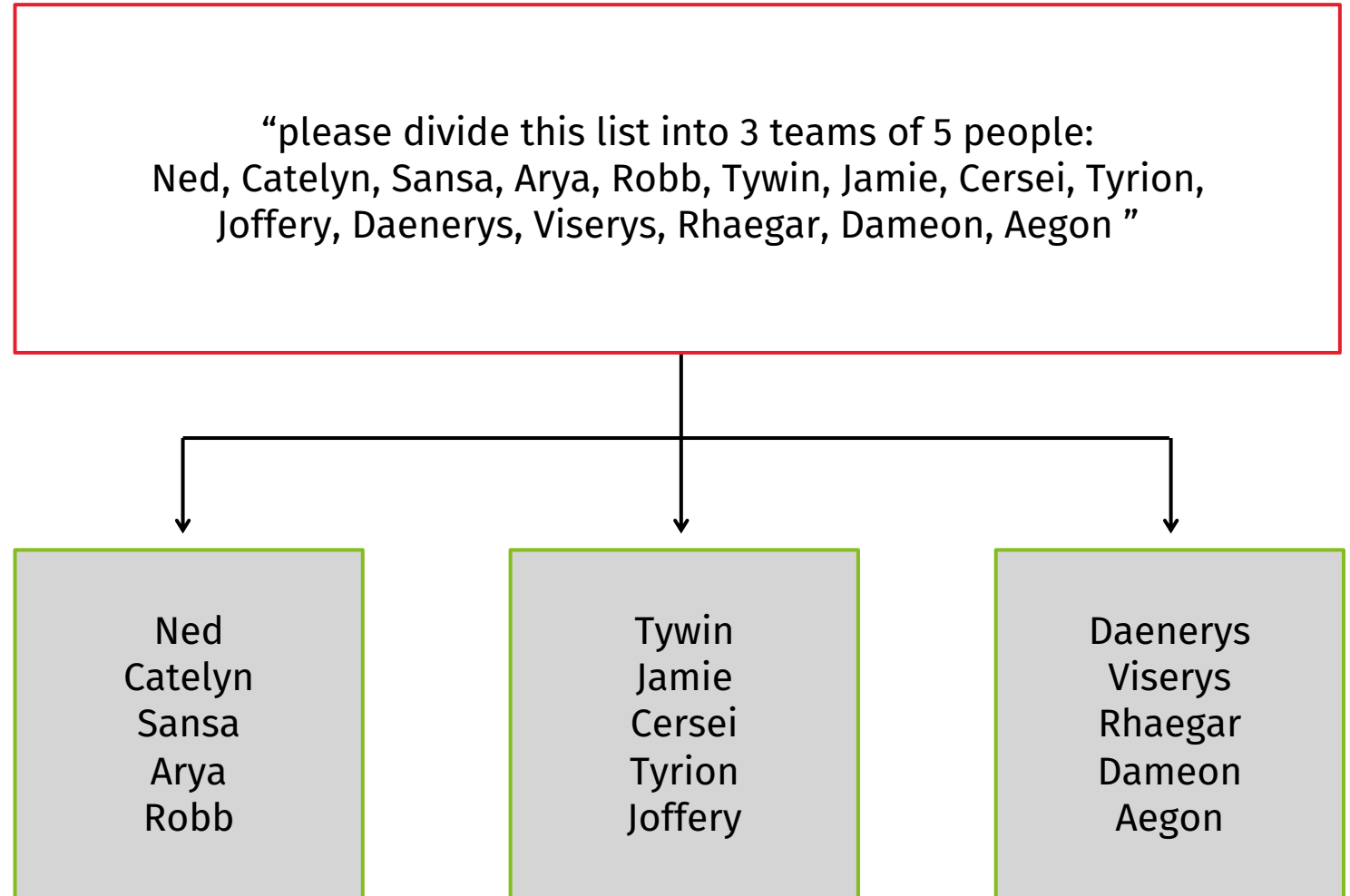
What is Prompt Engineering

Prompt Engineering is a **new discipline** of crafting inputs to Large Language Models (LLMs) to achieve desired outputs.
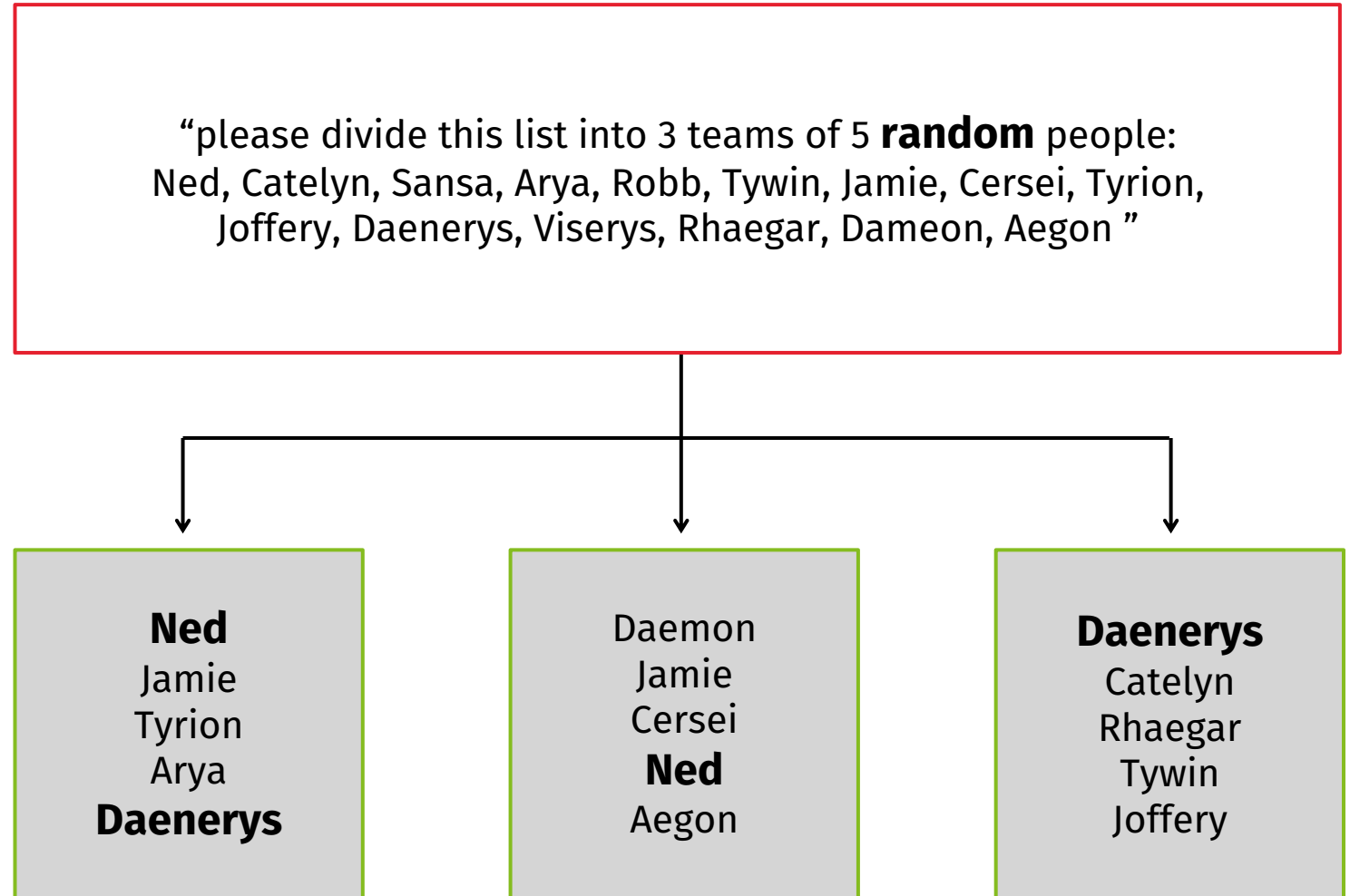

✦ Model: GPT-4

CO   Please provide a definition for prompt engineering

As of my knowledge cutoff in September 2021, there isn't a well-established definition of "prompt engineering" in the field of AI research or elsewhere. However, based on the words themselves, one might infer that it could involve designing and creating prompts, or instructions, for a task.

An **example** of Prompt Engineering

1ˢᵗ **Attempt**

"please divide this list into 3 teams of 5 people:
Ned, Catelyn, Sansa, Arya, Robb, Tywin, Jamie, Cersei, Tyrion, Joffery, Daenerys, Viserys, Rhaegar, Dameon, Aegon "

Ned	Tywin	Daenerys
Catelyn	Jamie	Viserys
Sansa	Cersei	Rhaegar
Arya	Tyrion	Dameon
Robb	Joffery	Aegon

An **example** of Prompt Engineering

2nd **Attempt**

"please divide this list into 3 teams of 5 **random** people:
Ned, Catelyn, Sansa, Arya, Robb, Tywin, Jamie, Cersei, Tyrion,
Joffery, Daenerys, Viserys, Rhaegar, Dameon, Aegon "

Ned
Jamie
Tyrion
Arya
Daenerys

Daemon
Jamie
Cersei
Ned
Aegon

Daenerys
Catelyn
Rhaegar
Tywin
Joffery

An **example** of Prompt Engineering

3rd Attempt

"please divide this list into a 3 teams of 5 **random** people **without repeating a name and every name must be used once**:
Ned, Catelyn, Sansa, Arya, Robb, Tywin, Jamie, Cersei, Tyrion, Joffery, Daenerys, Viserys, Rhaegar, Dameon, Aegon "

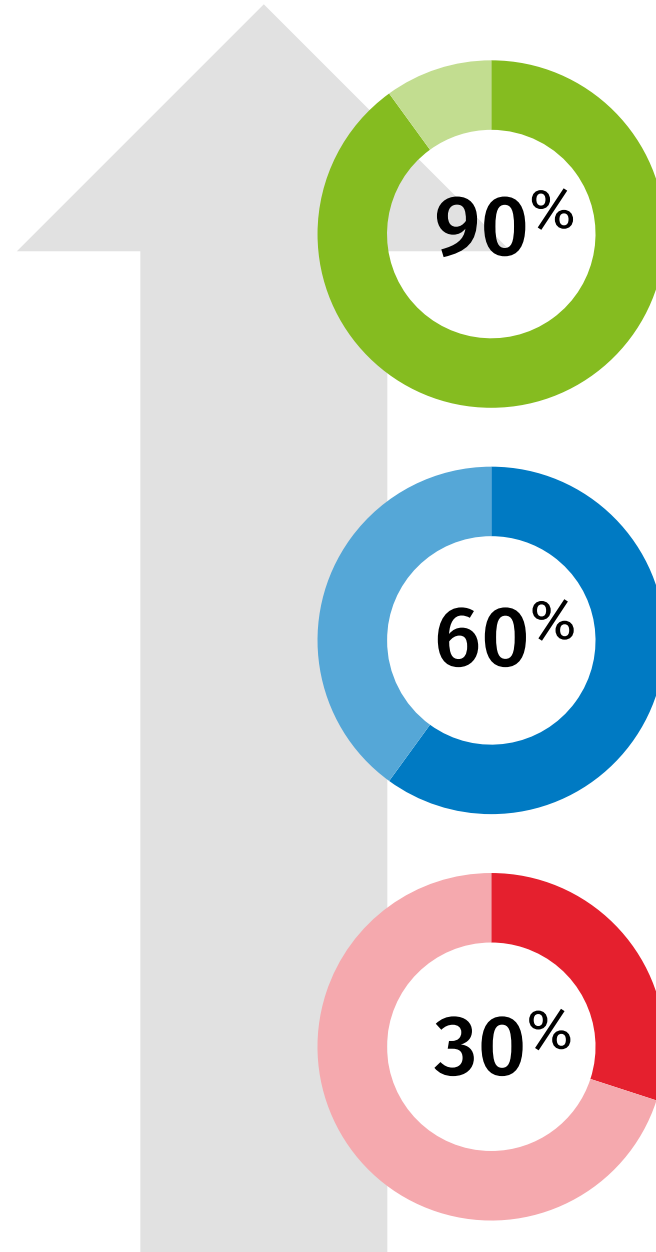| Ned | Catelyn | Sansa |
Cersei	Arya	Tywin
Tyrion	Robb	Jamie
Dameon	Rhaegar	Joffery
Viserys	Daenarys	Aegon

How Generative AI will Impact Tax Compliance
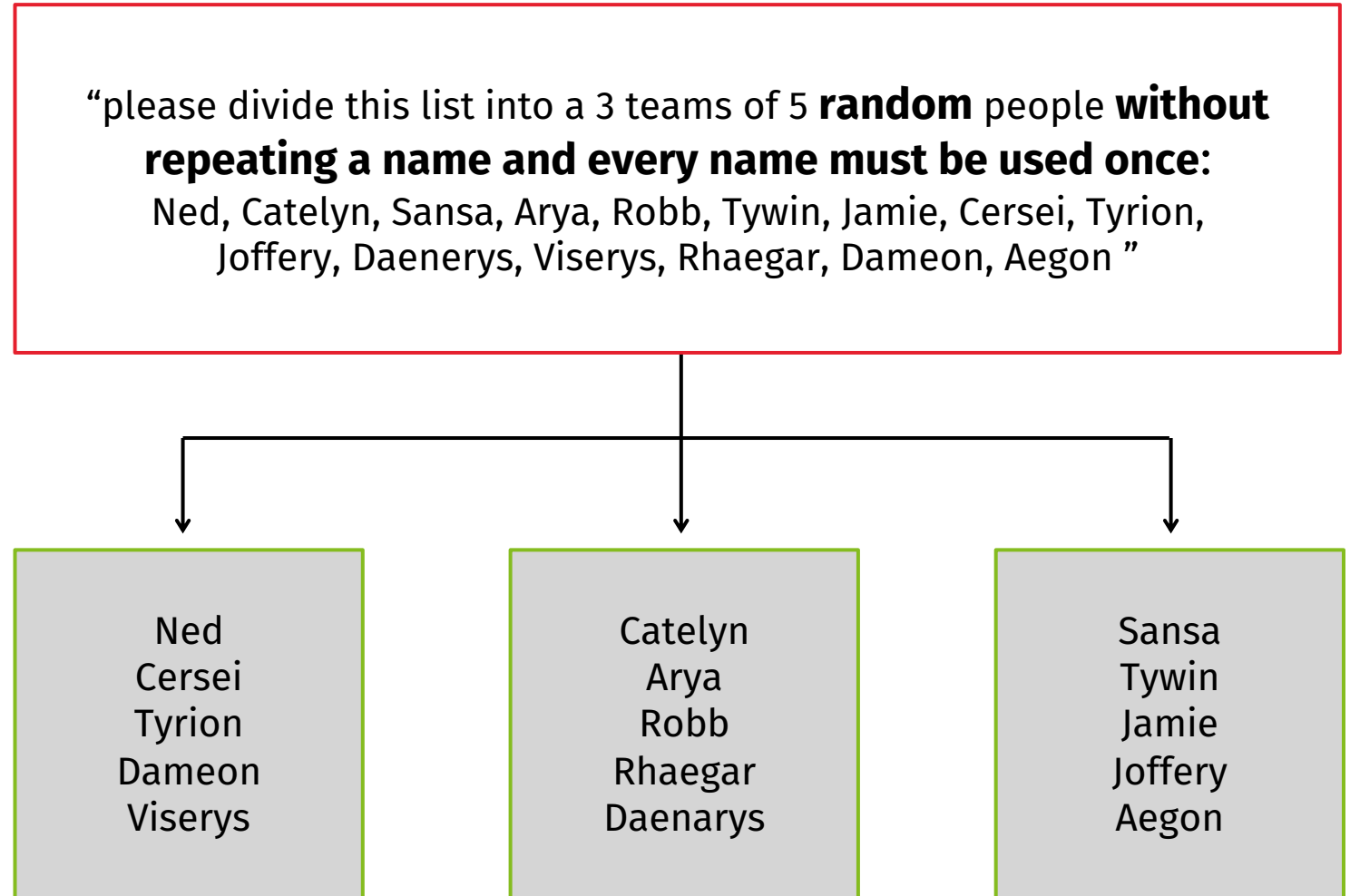
Prompt Engineering introduces a **new dynamic** for us to think about …
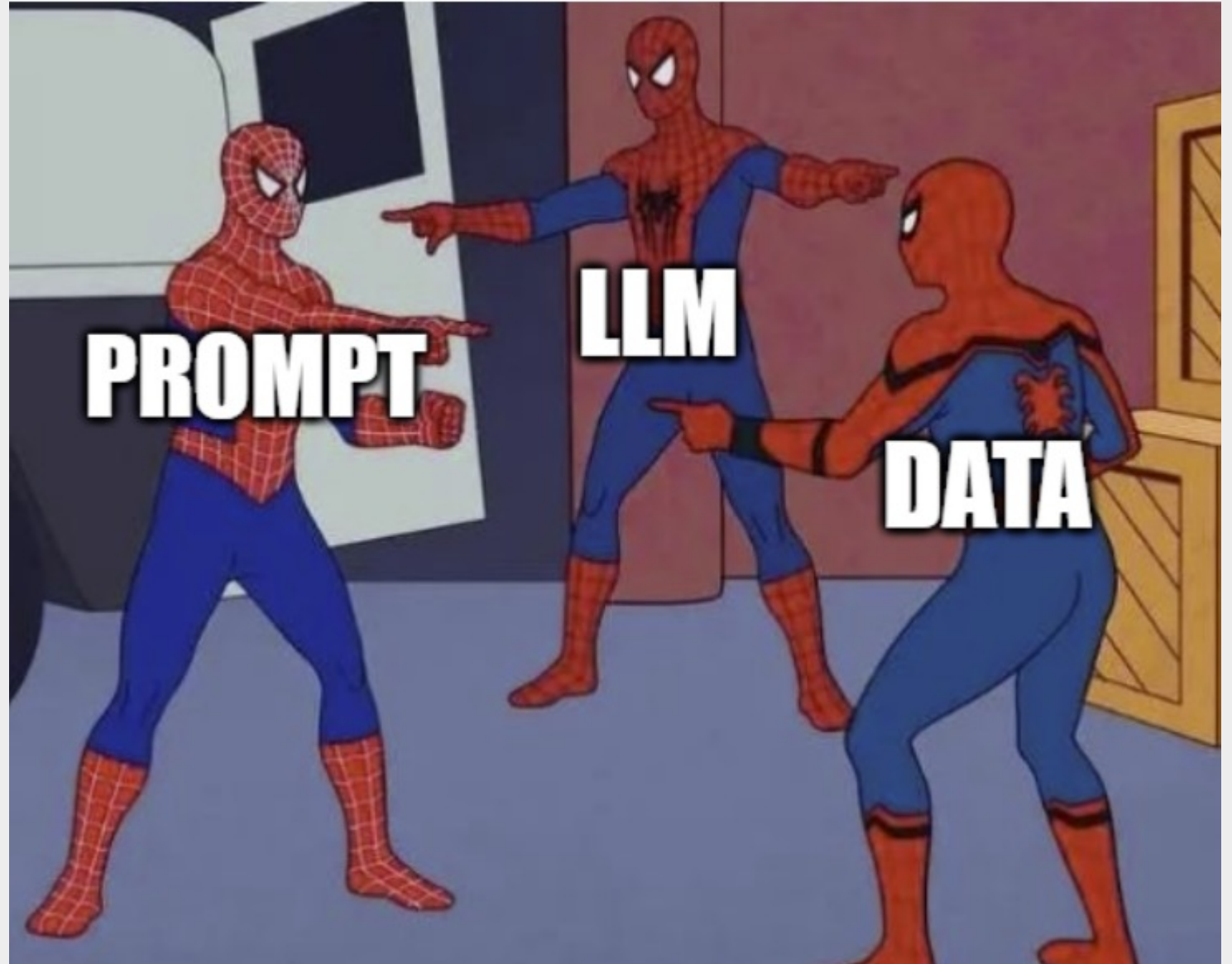
Back to our Original Prompt with **New Data**

Model: Web Browsing

CO Please provide a definition for prompt engineering

"Prompt engineering" refers to the process of crafting and refining prompts to elicit specific responses from a model like GPT-3 or other AI systems. This process is crucial in interactive AI systems as the quality and specificity of the prompt can greatly influence the quality of the model's response.

How Generative AI will Impact Tax Compliance

Prompt Engineering is a **new skillset** our people will need to master.

90%

60%

30%

Polling question #2

Do you see holding prompt engineering training with your tax practice in the next 6 months?
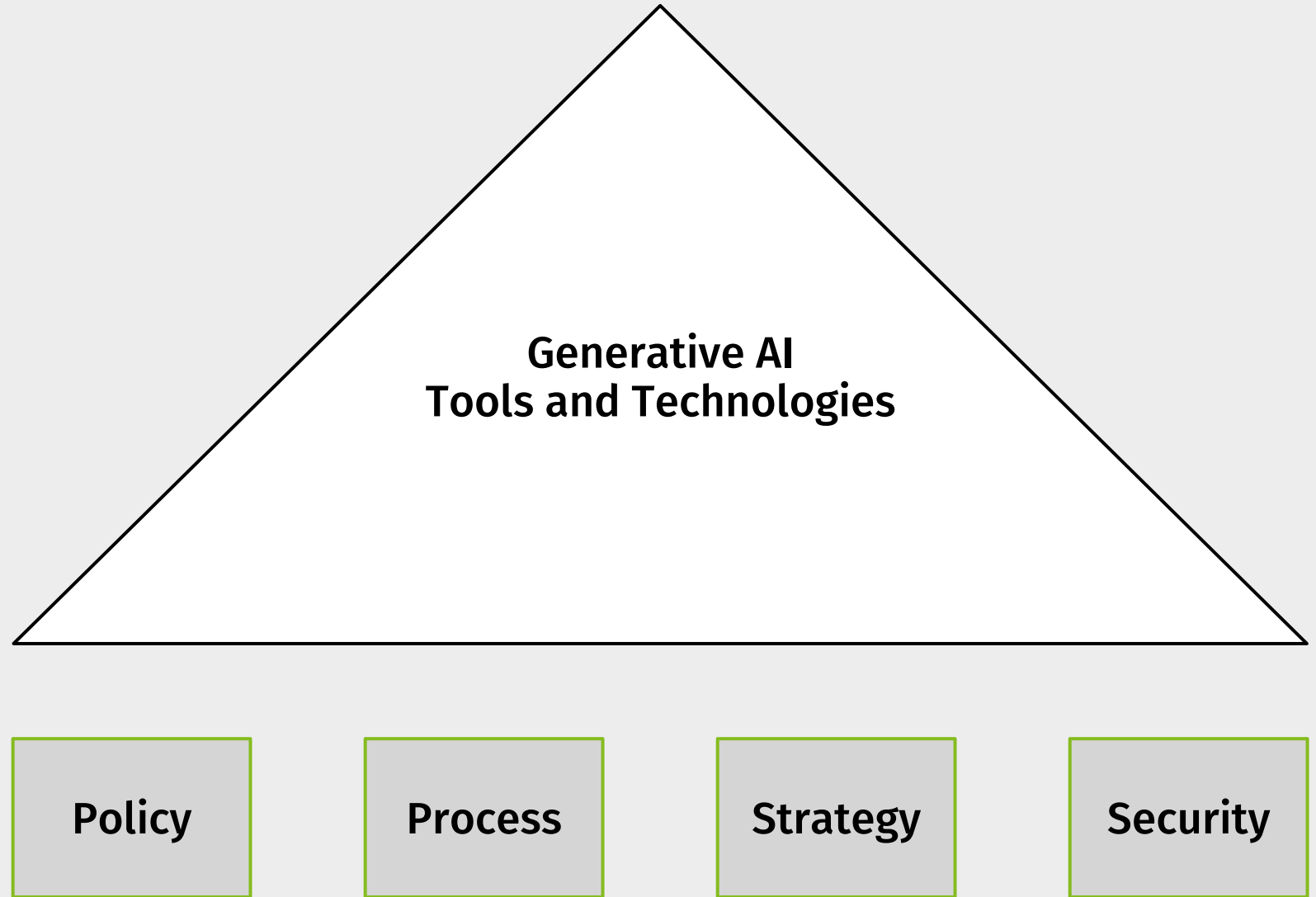
A. Yes
B. Yes, but not in the next 6 months.
C. No

How will Generative AI impact tax compliance?

Generative AI is coming to the **tools** used by tax professionals.

alteryx

Avalara
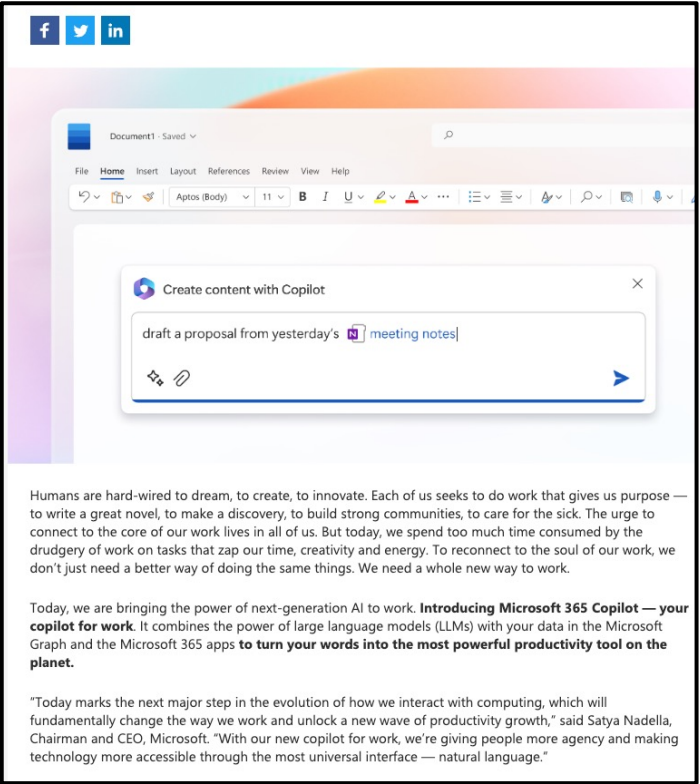
Laying a **foundation** for Generative AI tools and technology.

Generative AI
Tools and Technologies
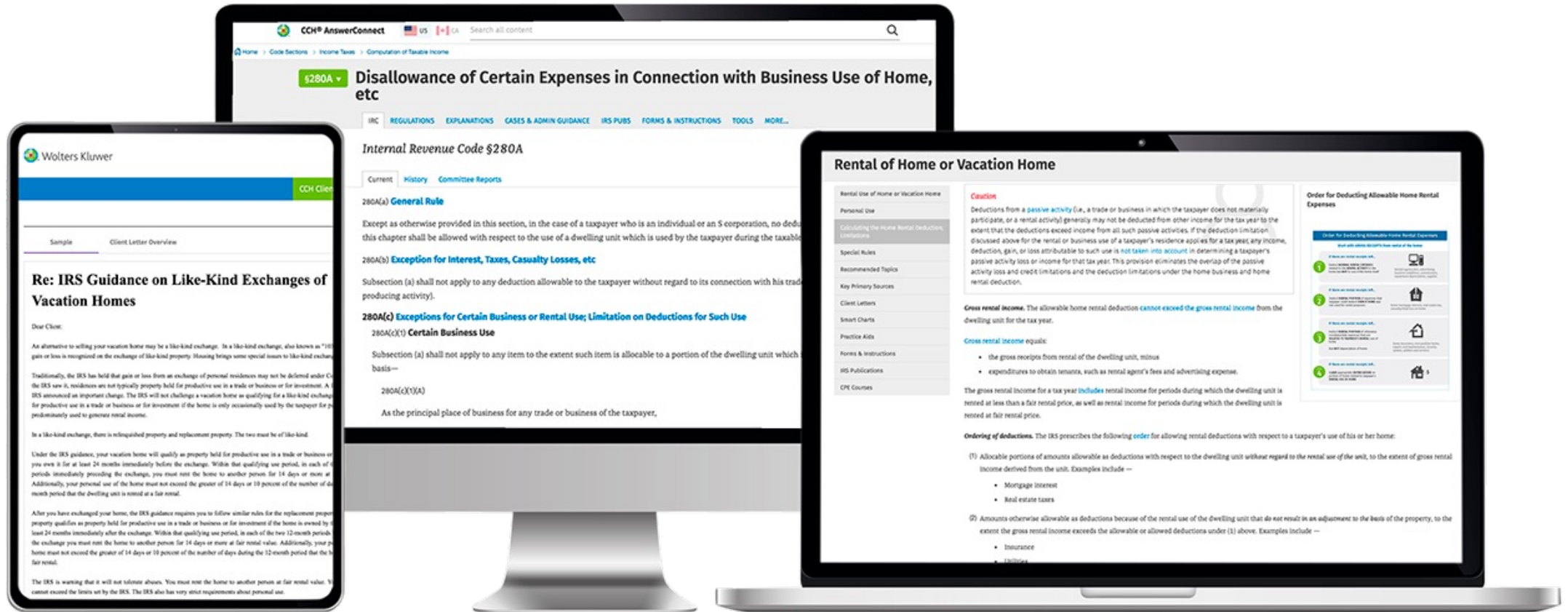
Policy

Process

Strategy

Security

Polling question #3

Would you be interested in a more in-depth discussion about Generative AI tools, technology, or strategy for your tax practice with the presenters?

A. Yes
B. No

CCH® AnswerConnect

Additional information in CCH® AnswerConnect

Kevin DeYoung

Lead Product Manager
Wolters Kluwer
TAA North America

Polling question #4

Would you like a more in-depth demo or further details on the resources and tools available in CCH® AnswerConnect?
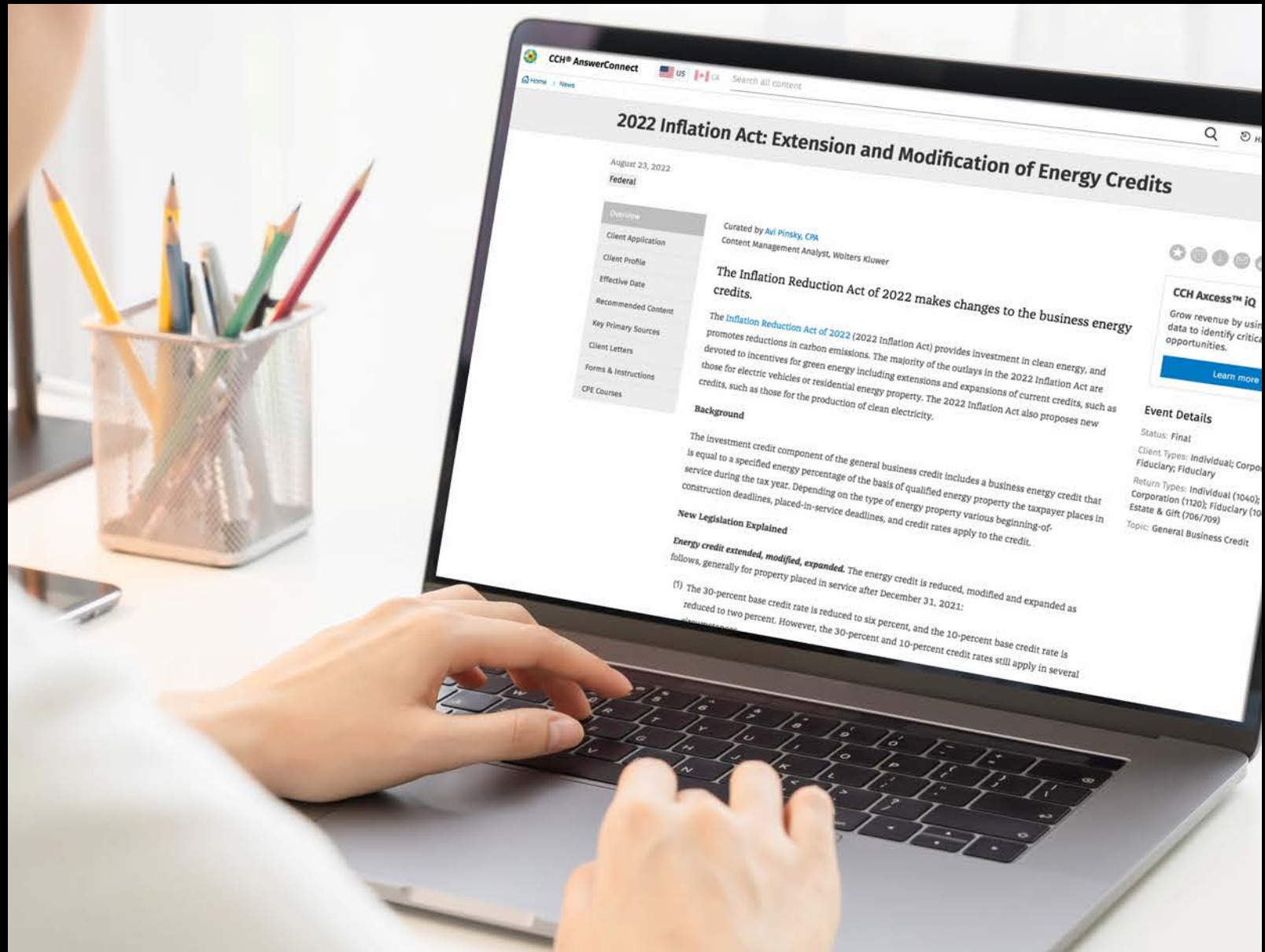
    A. Yes
    B. No

CCH®
AnswerConnect

➜ **Register to try it for free**

➜ **Learn more about CCH AnswerConnect**

Thank you for attending the Virtual Coffee Talk —*How Generative AI will Impact Tax Compliance*

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Wolters Kluwer

Kevin M. Jacobs

Kevin M. Jacobs is a Managing Director with Alvarez & Marsal Tax in Washington D.C. and the National Tax Office Practice Leader. Mr. Jacobs co-leads the firm's Restructuring Tax Service (RTS) initiative, which aligns with A&M's core restructuring business assisting distressed companies with complex tax matters. He brings more than 15+ years of experience in tax matters in both the public and the private sectors.

Prior to joining A&M, Mr. Jacobs was a Senior Technician Reviewer (TCJA) with the IRS Office of Associate Chief Counsel (Corporate) for more than six years, where he advised on tax issues such as corporate re-organizations and corporation-shareholder issues, earning and profits, recovery and allocation of stock basis, liquidations, redemptions, bankruptcies, spin-offs and consolidated returns.

Mr. Jacobs was the principal Associate Chief Counsel (Corporate) attorney on several regulatory projects including the proposed section 382(h) regulations on built-in gains and losses, the global intangible low-taxed income regulations, and debt-equity regulations. He provided substantial contributions to numerous other guidance projects, such as the limitation on interest deductions regulations, and assisted in overseeing the Corporate Division's response to TCJA, including the coordination with Treasury's Offices of Tax Legislative Counsel and International Tax Counsel.

Mr. Jacobs earned a bachelor's degree in accounting, a master's degree in accounting (with a concentration in taxation), a J.D. (*magna cum laude*) from the University of Florida and an LL.M. in taxation from New York University. He is admitted to practice before multiple courts and to the District of Columbia and Florida Bars. He is also a licensed Certified Public Accountant (CPA) in Florida and Colorado. Mr. Jacobs is a member of several organizations including the American Bar Association, the American Institute of Certified Public Accountants, the International Fiscal Association, and the New York State Bar Association.

Note: Alvarez & Marsal employs CPAs but is not a licensed CPA firm.

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Cody Dixon

Cody Dixon is a Managing Director with Alvarez & Marsal Tax, LLC in Dallas. He brings more than 17 years of experience helping clients design and implement tax technology solutions.

Mr. Dixon has extensive experience delivering tax technology solutions. He has helped clients across different industries design and build tax technology solutions to automate key tax functions.

Mr. Dixon specializes in extracting data from ERP systems such as Oracle and SAP to transform them for tax. He has a wide range of experience developing technology solutions for fixed assets to logistics and supply chain management.

Before joining A&M, Mr. Dixon spent more than a decade with PricewaterhouseCoopers in Dallas, serving most recently as Tax Director and leading a tax technology consulting and software development team focused on tax depreciation and fixed assets solutions.

Mr. Dixon earned a BBA from Texas Tech University. He is also certified as an Oracle PL/SQL developer.

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Thank you for joining us today!

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