

# How Will Artificial Intelligence (AI) Play A Role In Financial Management & Audits Of Sales & Use Taxes?

*Is artificial intelligence able to be a valuable tool in financial and tax management, especially at this stage of its development?*

PHILADELPHIA, PA, UNITED STATES, July 22, 2024 /EINPresswire.com/ -- If one reads most of the

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*Bill Flick - President & Co-Founder FM Cost Containment*

recent business surveys relating to Fortune 1000 companies and artificial intelligence, it will show that nearly 100% of the corporations have AI in their planning and budgeting. But what does that mean? For what purposes are they planning to use AI? Although surveys confirm that virtually all corporations are studying and engaging artificial intelligence in order to stay “agile and competitive,” relatively few of them are planning to use AI in financial and tax management. Is artificial intelligence able to be a valuable tool in financial and tax management, especially at this stage of its development?

According to forensic sales tax thought leader, Bill Flick, President & Founder of FM Cost Containment, “Artificial

Intelligence learns from a body of available knowledge. In a perfect world, the tax management process would seem to be a simple one since AI would merely need to analyze the data, compare it with the laws and subtract out the overlap. However, in the real world, when it comes to actual sales tax application, that foundational learning becomes challenging because of privacy limits, look-back relevance, speed of tax law changes and complexity in analyzing exceptions and overlap.”

Flick outlines several specific factors that have the potential to derail AI in its accuracy and success in recovering sales tax errors and overpayments:

1) Keeping up with the pace of sales tax law changes.

For corporations operating on a multi-state level, it’s nearly impossible to keep pace with states passing new laws, new taxes, and new multi-state nexus tax overlap. In the U.S., there are over

10,000 taxing entities. At this point, AI and other digital software will be slower to “learn” and update, creating limitations and inaccuracies.

## 2) Privacy issues.

Privacy and trademark issues and artificial intelligence are far from being worked out, in the United States. Because most sales tax details and financial information are private or confidential, AI will be limited in its effectiveness due to lack of depth in its body of financial knowledge.

## 3) Off the record, out of court settlements also limit AI’s body of knowledge.

Most forensic tax investigations and audit cases are private and/or settled out of court and out of the view of public scrutiny. For artificial intelligence, this background information is not visible and accessible in most cases to be able to influence future recommendations and insight.

## 4) AI is based on past knowledge which may be flawed when it comes to sales tax audits and recovery.

When it comes to sales and use tax compliance, much of the body of knowledge is flawed, because corporations themselves often manage sales tax payments incorrectly. As well, since AI’s recommendations are often based on past knowledge, the advice and recommendations have a high propensity to be flawed.

Said Flick, “Forensic tax recovery will be challenging for AI because of its lack of pattern and consistency. Many factors can influence whether a sales tax is owed or not, including where an item is purchased and where some or all of it is used. Although we do see AI playing a valuable role in streamlining tax research and precedents, I’m not sure that humans will be replaced in forensic tax recovery in the near future. However, humans utilizing AI as a tool will definitely be a factor in improving the depth and quality of successful sales tax auditing and recovery.”

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## ABOUT FM COST CONTAINMENT

FM Cost Containment is one of the leading forensic tax recovery firms in the United States, having recently joined the EisnerAmper family. FM specializes in tax confirmation and recovery of overpayments of taxes, as well as tax audit defense, utilizing proprietary research and



Bill Flick - Co-Founder & President FM Cost Containment

knowledge of little-known technicalities in the tax laws of each of the 50 states, including over 10,000 tax entities throughout the nation. FM Cost Containment provides services throughout the U.S.

FM Cost Containment, LLC  
40 Lloyd Ave.  
Suite 308  
Malvern, PA 19355

Phone: 484-580-8907

Website: <https://www.fmcostcontainment.com>

LinkedIn: <https://www.linkedin.com/company/fm-cost-containment>

Twitter: @FMCostContain

YouTube: <https://www.youtube.com/@FMCostContainment>

# # #

Leo Levinson  
Group Levinson Public Relations  
+1 215-545-4600

[email us here](#)

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