



## AI & Tax Strategy for Law Firm Innovation

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# Today's Presenters



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# Agenda

1. Gen AI – David Mayo
2. AI in Law Firms – Brian West
3. One Big Beautiful Bill – Spencer Heywood





# 01

Gen AI



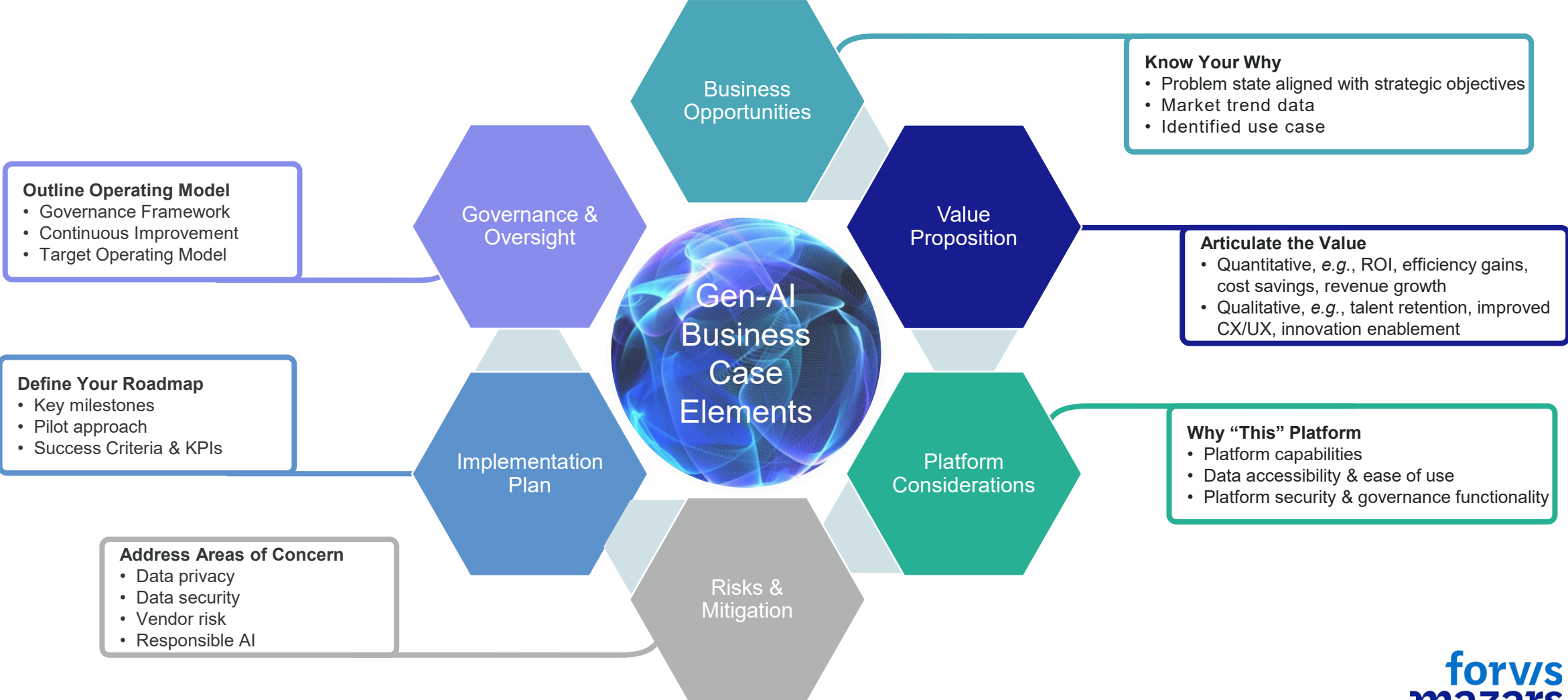
# Agenda

1. Gen AI Board-Ready Business Case Elements
2. Gen AI Platform Considerations
3. Gen AI Risk & Mitigation Considerations
4. Strategies for Security Data in an AI Environment
5. AI Trends & Drivers in the Legal Industry

# Generative AI Strategy Considerations

## Board-Ready Business Case Elements

### Planning to Unleash AI Responsibly



# Generative AI Strategy Considerations

## Platform Considerations

### Generative AI Platform Selection Criteria



#### Strategic Alignment

- Does the platform support key business goals?
- Individual productivity vs AI Process Transformation

#### Data Accessibility & Ease of Use

- Ability to ingest data Gen-AI to 3<sup>rd</sup> party apps/data repositories
- Prebuilt connector library
- Extent to which the solutions present where users do their work
- No-code/low-code development

#### Platform Capabilities

- Out of-the-box solution(s)
- Multi-modal
- Development capabilities, e.g., custom AI agents

#### Data Protection & In-Platform Governance

- Built-in responsible AI controls
- Data privacy
- Data security
- Ability to exclude data from gen-AI responses

#### Cost & Licensing

- Pricing/licensing models
- Cost predictability
- Total cost of ownership

# Generative AI Strategy Considerations

## Risk & Mitigation

### Generative AI Risk & Mitigation Criteria



### Data Privacy

- Is your data used to train the AI models?
- How does the solution handle sensitive data, *e.g.*, PII, PHI, HIPAA

### Data Security

- How is data encrypted?
- How is identify & access managed?

### Vendor Risk

- What control certifications does the vendor have?
- What additional diligence/assurances do they provide, *e.g.*, prompt injection protection?

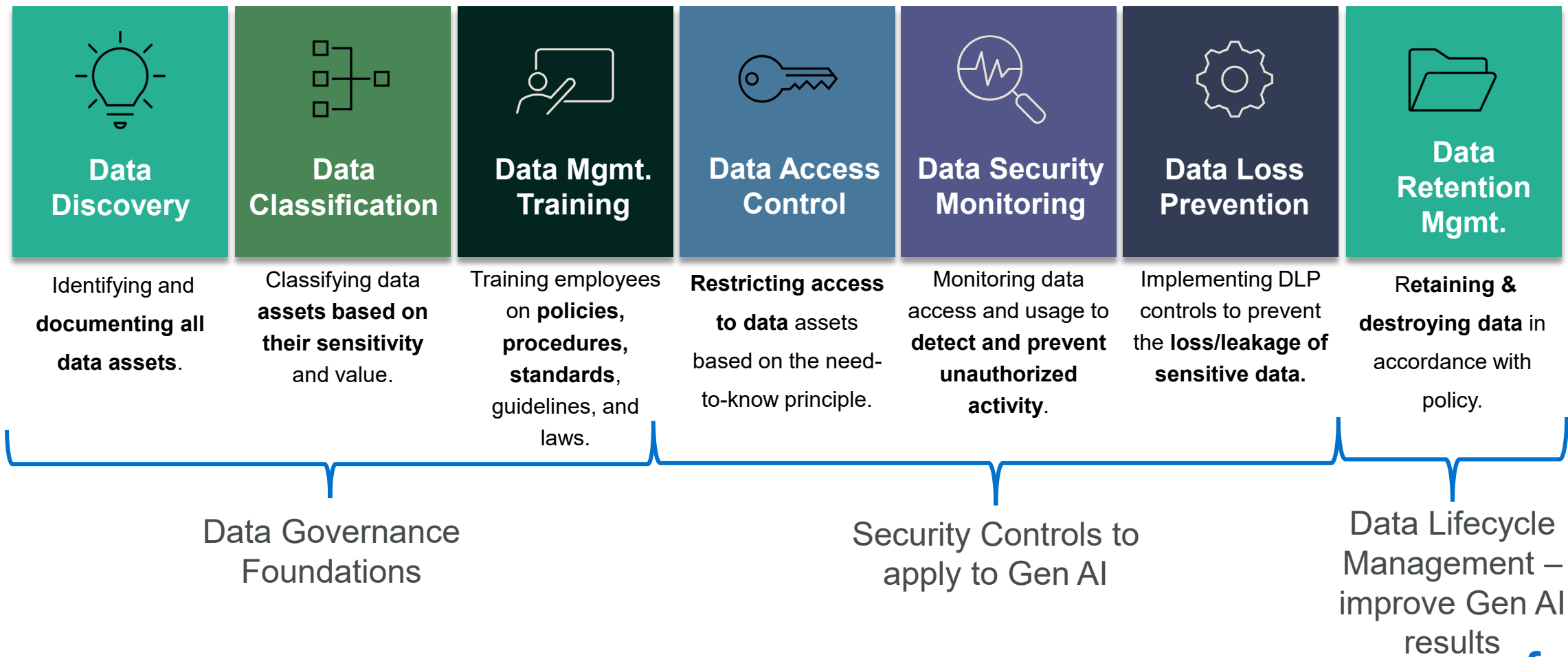
### Responsible AI

- What fairness & bias mitigations were used to train the model?
- What intellectual property controls & transparency features exist?



# Generative AI Strategy Considerations

## Data Governance & Secure AI



# Industrywide AI Adoption & Client Expectations

## AI Adoption Growth

- 88% of organizations now use AI, with law firms rapidly integrating generative AI tools to stay competitive.

## Efficiency & Service Benefits

- AI automates routine legal tasks, improving efficiency, and enabling lawyers to focus on strategic client advice.

## Client-Driven Technology Demand

- Clients expect law firms to be tech-savvy and cost-effective, pressuring firms to adopt AI for faster, better results.



# Survey Data & Experimentation With AI Tools



## Adoption of AI Tools

- Over half of lawyers use AI for drafting documents, indicating widespread adoption in legal workflows.

## AI for Research & Summarization

- Nearly 40% of lawyers employ AI tools for research and summarizing documents, enhancing case law review.

## Impact on Legal Workflows

- AI augments everyday legal tasks, streamlining first-draft writing and case law scanning processes.



# 02

## AI in Law Firms





# Agenda

1. AI in Law Firm Operations & Management
2. Operational Impact & Strategic Benefits
3. Spotlight on AI Tools & Law Firm
4. Examples

# Outcome & Value for Law Firm Finance Departments



## Enhanced Accuracy & Time Savings

AI enables faster resolution of complex tax questions, improving accuracy and saving significant research time for tax lawyers.

## Automation of Routine Compliance

Routine tax compliance tasks require less manual effort, allowing tax specialists to focus on higher-value advisory work.

## Smoother Internal Tax Processes

For law firm CFOs, AI smooths internal tax compliance, reducing extensions, surprises, and penalties effectively.

## AI Detecting Tax Discrepancies

AI solutions like tax variance bots can reduce manual checks by up to 75%, improving efficiency in detecting discrepancies.

# Innovation Dividend & Scaling Challenges



## Billing & Timekeeping Automation

AI analyzes time entries to catch billing errors and auto-generates draft timesheets reducing revenue loss.



## Financial Analysis & Forecasting

AI tools provide instant data analysis, budget scenarios, and forecasting to aid law firm financial decisions.



## Knowledge Management & Training

AI-powered search and chatbots instantly answer questions, improving knowledge sharing and consistency.

# Administrative Bots & Market Intelligence

## Administrative Task Automation

- AI bots streamline scheduling, travel planning, and HR tasks, reducing administrative workload efficiently.

## AI in HR Management

- Chatbots and AI screen resumes and answer employee queries, improving HR responsiveness and efficiency.

## Market Intelligence With AI

- AI analyzes market data and client positions, enabling firms to provide strategic, data-driven advice.





# Operational Impact & Strategic Benefits

## Cost Savings Through Automation

- Automating routine tasks like scheduling and data entry saves costs and frees staff for higher-value work.

## Enhanced Strategic Management

- AI-powered dashboards and forecasts provide better insights to partners and leaders for improved strategy.

## Improved Profitability

- Automating billing review reduces write-offs, directly increasing the firm's profits.

## Talent Attraction & Client Confidence

- Using AI signals modernity, attracting tech-savvy talent and reassuring clients of operational efficiency.



# Measuring Impact & Pricing Implications

## Measuring AI Impact

- Define success metrics like time saved, reduced billable hours, and client satisfaction to track AI effectiveness over time.

## Pricing Model Adjustments

- AI acceleration requires revisiting pricing strategies, shifting from hourly billing to fixed fees or value-based pricing.

## Revenue & Service Innovation

- AI enables handling more volume and new offerings like subscriptions, promoting innovation in revenue models.



# Microsoft Copilot & Legal-Specific AI platforms

## Microsoft 365 Copilot Integration

- Copilot integrates AI across Outlook, Word, Excel, and Teams to streamline law firm tasks efficiently.

## Copilot Use Cases in Law Firms

- Copilot drafts documents, summarizes emails, analyzes financial data, and generates meeting summaries.

## Legal-Specific AI Platforms

- Platforms like Kira, Harvey, and CoCounsel provide specialized AI tools for contract review, legal drafting, and e-discovery.

## Adoption & Pilot Recommendations

- Top-down support drives AI adoption; pilot testing compares AI and human reviews for best results.





# Strategic Importance & Productivity Gains

## Rapid AI Adoption

- AI tools like Copilot are quickly becoming essential for competitive advantage in law firms.

## Enhanced Productivity

- Using AI tools improves productivity by saving time for attorneys and support staff.

## Strategic Asset Approach

- Firms treating AI as strategic assets position themselves as efficient and tech-forward.





# Conclusion

## AI Transforming Law Firms

- Artificial intelligence is revolutionizing finance and operational processes in law firms for greater efficiency.

## Strategic AI Adoption

- CFOs who embrace AI strategically can improve client service and competitiveness in legal markets.

# 03

*One Big Beautiful Bill Act (OB3)*



# OB3

## Individual & Trust Provisions

Topic	Current State (2025)	Act
Section 199A – QBI	<ul style="list-style-type: none"><li>○ 20% Deduction</li></ul>	<ul style="list-style-type: none"><li>○ Deduction made permanent with changes to phase in amounts (SSTB limitations still apply)</li></ul>
Estate & Gift Tax Exemption	<ul style="list-style-type: none"><li>○ \$13.99M per individual, \$27.98M per couple</li></ul>	<ul style="list-style-type: none"><li>○ Increased to \$15 million per individual for 2026, indexed for inflation, and made permanent</li></ul>
Tax Rate Changes	<ul style="list-style-type: none"><li>○ Individual &amp; Trust Top Rate: 37%</li></ul>	<ul style="list-style-type: none"><li>○ TCJA rate changes made permanent</li></ul>

# OB3

## Individual & Trust Provisions

\*\*Trust deductions such as fiduciary, administrative, and investment expenses were not changed by the OB3 Act.

Topic	Current State (2025)	Act
Personal Exemptions, Deductions, & Limitations	<ul style="list-style-type: none"><li>○ \$30,000 standard deduction (MFJ)</li><li>○ \$0 Personal exemptions</li><li>○ \$2,000 Child Tax Credit</li></ul>	<ul style="list-style-type: none"><li>○ Standard Deduction increased to \$31,500 for married individuals filing jointly, \$23,625 for head of household, and \$15,750 for all others beginning in 2025</li><li>○ Personal exemptions permanently eliminated</li><li>○ Child Tax Credit increased to \$2,200 from 2025 through 2028</li><li>○ \$6,000 additional standard deduction for 65 &amp; older, phases out starting at \$150,000 MFJ beginning in 2025</li><li>○ Benefit of itemized deductions capped at 35% beginning in 2026</li><li>○ New 0.5% floor on charitable contributions beginning in 2026</li><li>○ New above the line charitable deduction beginning in 2026</li><li>○ Wagering losses limited to 90% of loss beginning in 2026</li></ul>
Mortgage Interest Deductibility	<ul style="list-style-type: none"><li>○ \$750,000 threshold (\$375,000 MFS)</li><li>○ No deduction for home equity interest</li></ul>	<ul style="list-style-type: none"><li>○ \$750,000 threshold and elimination of home equity interest deduction made permanent</li></ul>
Miscellaneous Itemized Deductions	<ul style="list-style-type: none"><li>○ Nondeductible</li></ul>	<ul style="list-style-type: none"><li>○ Permanently eliminated</li></ul>

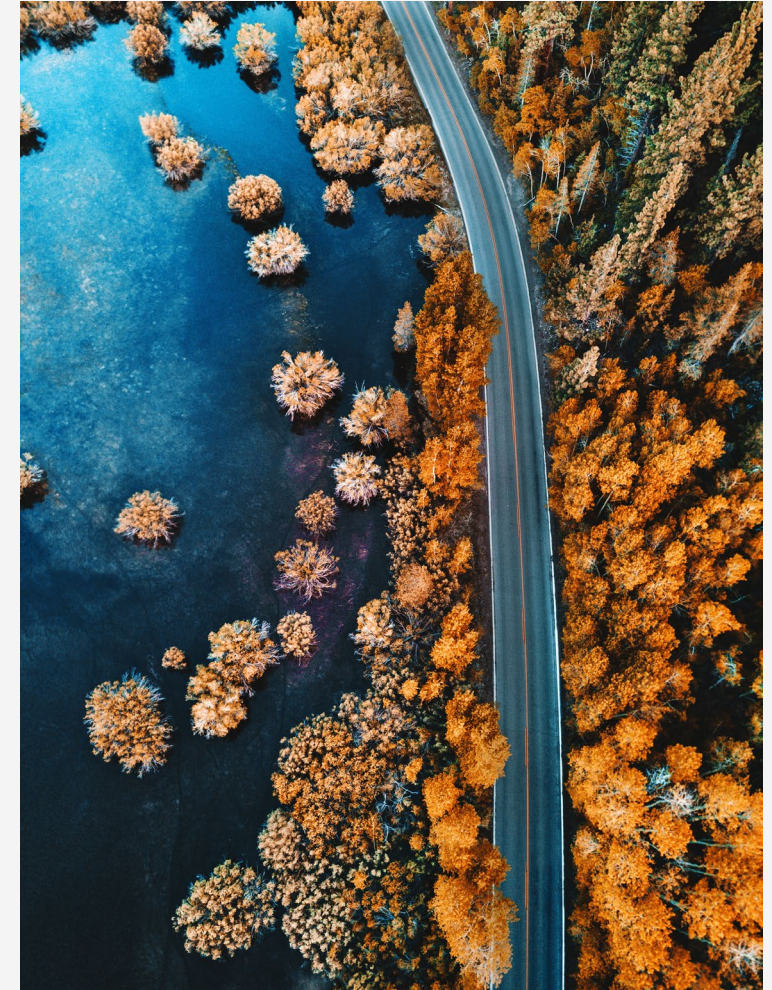


# OB3

## SALT Cap & PTET Payments

*Tax Cuts and Jobs Act of 2017 (TCJA)* enacted the “SALT Cap Limit” which has been extended and modified under OB3

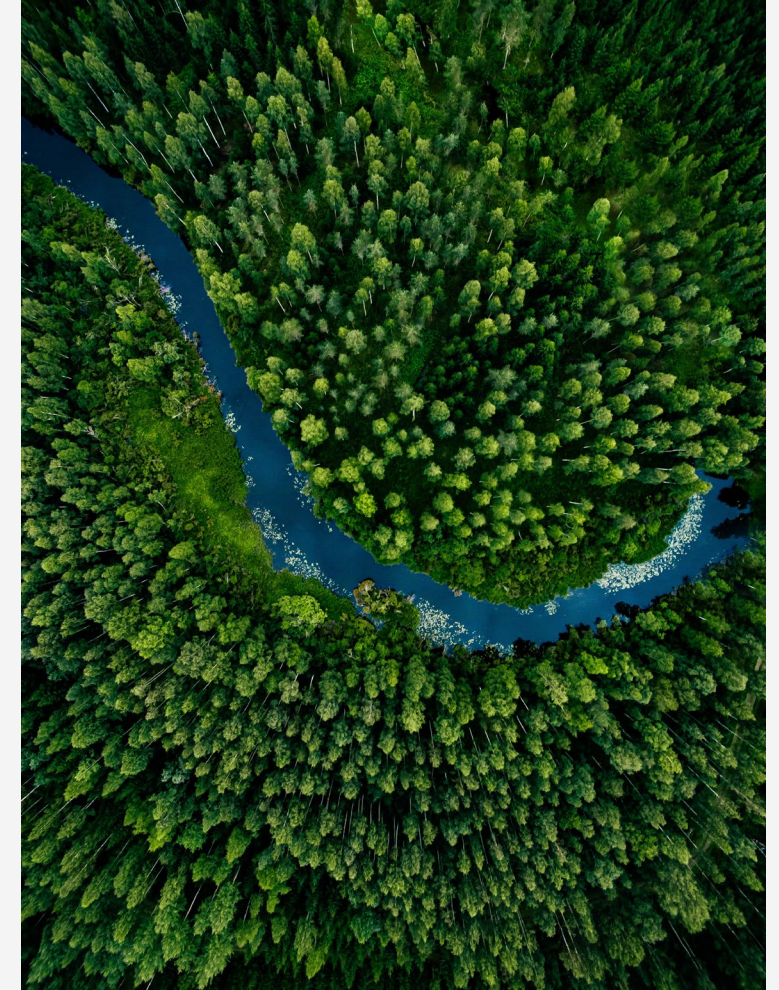
- Major component of TCJA was the \$10,000 limit on the state tax itemized deduction for individuals
- Those in states with high income tax rates and high real estate taxes were hit the hardest
- With the release of Notice 2020-75 the IRS approved state pass-through entity election workarounds allowing for state income tax to be paid and deducted at the entity level rather than on the personal income tax returns of partners and shareholders
- Most states that tax individual income now have a pass-through entity tax option



# OB3

## SALT Cap & PTET Payments

- OB3 temporarily raises the SALT cap limit for years 2025 through 2029
- \$40,000 in 2025
- In years 2026 through 2029, the cap increases by 1% per year
- In 2030 and thereafter, it reverts to \$10,000
- Phaseouts for those with modified adjusted gross income above \$500,000
- This \$500,000 threshold increases by 1% per year from 2026 through 2029
  - SALT phase-out example:
    - A taxpayer with \$550,000 MAGI in 2025
    - Excess income: \$50,000
    - Reduction: \$15,000 (\$50,000 x 30%)
    - SALT Deduction: \$40,000 – \$15,000 = \$25,000
- There are no changes to the treatment of pass-through entity taxes
- Consider AMT impact of increased itemized deduction for SALT



# OB3

## SALT Cap & PTET Payments

### No PTET Election

Assume no federal tax benefit due to utilizing the standard deduction or the SALT cap limit was already reached

Partnership Income	\$480,000
State Tax Rate	5
State Tax	\$24,000

### PTET Election

Assume federal rate of 35% plus self-employment tax Medicare portion of 2.9% or roughly 38% for this illustration

Partnership Income	\$480,000
State Tax Rate	5%
State Tax	\$24,000
Federal Tax Rate	38%
Federal Tax Savings	\$9,120

# OB3

## SALT Cap & PTET Payments

- For those below the SALT Cap threshold, planning will be similar to pre-TCJA when taxpayers accelerated making tax payments prior to year-end
- “Bunch” SALT payments to one year to take advantage of the full \$40,000 in one year and do standard deduction in next year
  - Property owners: consider paying the full year of real estate tax rather than deferring half the following year for those states that allow
- Consider AMT impact of increased itemized deduction for SALT
- Business owners should continue to pay state taxes at the entity level when applicable as it by-passes the SALT cap. Especially for those taxpayers who are above the phase-out limit.



# OB3

## Charitable Contributions

- 0.5% threshold beginning in 2026 for individuals
- 35% itemized deduction benefit cap beginning in 2026
- Deduction in addition to standard deduction of \$1,000 (\$2,000 married filing joint)
- May accelerate donations into 2025 to avoid the floor and benefit cap
- Strategic bunching
  - Donor-Advised Fund
- Carryforward Strategy: Use of five-year carryforward for excess contributions (carryover still utilized if not itemizing)



# OB3

## Charitable Contributions

YEAR	AGI	CHARITABLE GIFT	DEDUCTIBLE AMOUNT	TOTAL DEDUCTION ALLOWED
			Floor = 0.5% of AGI in '26	35/37ths of \$55,000 in '26
2025	\$1,000,000	\$60,000	\$60,000	\$60,000
2026	\$1,000,000	\$60,000	\$55,000	\$52,027

# OB3

## Senior Deduction

- Individuals 65 and older will get federal income tax deduction for years 2025 through 2028
- Maximum deduction of \$6,000 (\$12,000 for MFJ)
- Deduction phases out for individuals with income over \$75,000 (\$150,000 for MFJ)
- No benefit after income of \$175,000 (\$250,000 MFJ)



## OB3

# Deduction on Car Loan Interest

- Individuals will get federal income tax deduction for qualified interest paid on a new car loan for 2025 through 2028
- Maximum deduction of \$10,000
- Must be a new car acquired after December 31, 2024
- Final assembly of the car must have been in the United States
- Deduction phases out for individuals with income starting at \$100,000 (\$200,000 for MFJ)





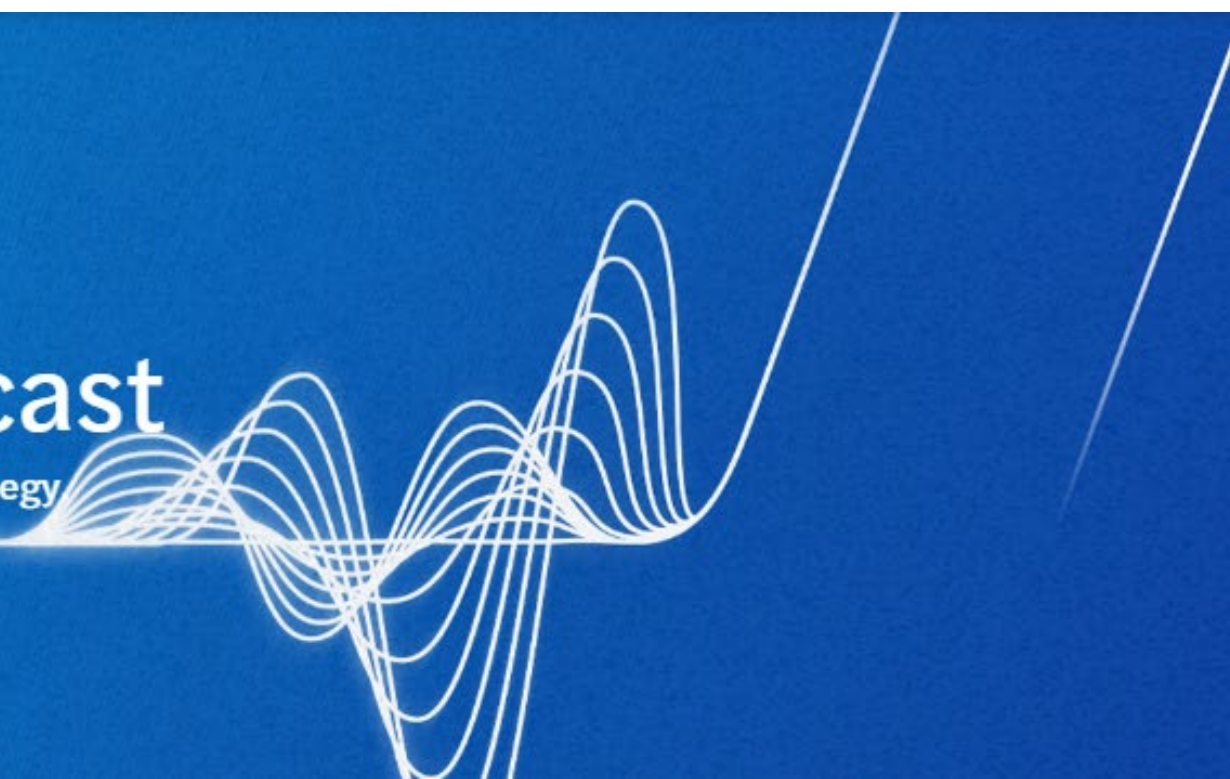
# OB3

## Resources

- WNTO Website
- From the Hill Weekly Article
- Tackling Tax Podcast
- Subscribe to tax email list for articles, alerts, etc.

# Tackling Tax Podcast

Timely, actionable insights on tax policy and strategy



# Questions?

# Contact

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