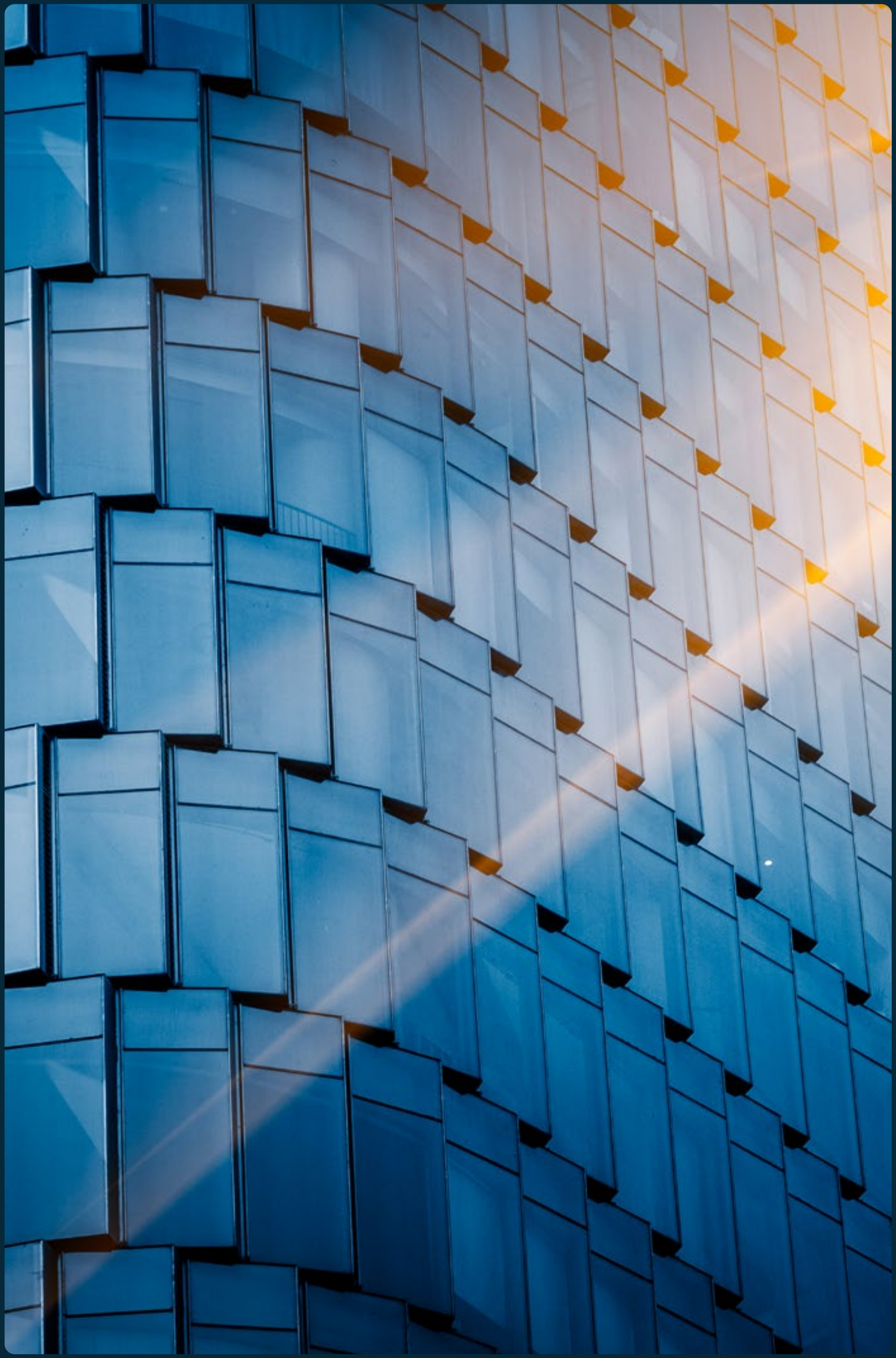
State of Finance 2026

How AI, automation, and intelligent compliance are reshaping finance



Report

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Executive summary

Voices from global leaders

Finance and tax operations have fundamentally changed. As a part of broader finance digital transformation, organizations have moved past the experimental phase of artificial intelligence. But as AI adoption in finance and accounting becomes universal, a new challenge has emerged for leaders: how to govern, integrate, and trust AI technologies at scale.

In partnership with Hanover Research, Avalara surveyed 400 finance and tax professionals across the globe to understand how they are navigating these shifts. The State of Finance 2026 report explores how teams are working to avoid fragmented tool adoption, establish resilient human-in-the-loop governance, and prepare their data infrastructure for the emerging future of finance and tax compliance: agentic AI.

Read on to discover the strategies future-ready teams are using to scale efficiently, mitigate risk, and turn complex global compliance into a seamless operation.

Methodology

Who we talked to

In March and April 2026, Avalara partnered with Hanover Research to uncover how finance and tax professionals are using AI and automation to become more efficient, help their businesses scale, and manage complex global tax compliance challenges.

A total of **400** professionals from Australia, Canada, the United Kingdom, and the United States responded to the survey

They work in tax, finance, or accounting roles

Companies with **$50M+** in annual revenue

Across **21** industries

About **10%** of participants work at companies with **$1B** or more in revenue

42% overall are from enterprises

with revenue of at least **$500M**

All percentages are based on the respondents' answers.

Where appropriate, year-over-year comparisons to a [similar study conducted by Hanover] in March 2025 are included to highlight key trends. Insights from Avalara are woven throughout to offer a broader context on how technology is reshaping finance and tax management.

Key takeaways

What we learned

AI adoption is universal, but fragmentation threatens scalability

Finance and tax teams have universally embraced AI, with many professionals now relying on capabilities natively embedded in their ERP and finance platforms. The focus has rapidly shifted from mere adoption to building an interconnected technology stack. By prioritizing seamless AI solutions over disconnected tools, organizations can drive unprecedented efficiency while avoiding the risks of data silos and fragmented reporting.

Rising compliance complexity exposes a readiness gap

While 86% of finance teams express confidence in their preparedness for global e-invoicing and live reporting mandates, nearly a third are only complying where legally required. And only half of organizations have fully or mostly automated e-invoicing. This disjointed approach leaves many organizations vulnerable as tax authorities rapidly shift toward real-time enforcement and continuous compliance. By moving away from piecemeal reactions and instead adopting a cohesive global compliance framework, businesses can turn mounting regulatory pressure into a distinct competitive advantage.

Agentic AI sets a new standard for proactive compliance

More than half of organizations are making agentic AI — systems capable of autonomous reasoning and multistep execution — their top technology priority, outpacing even cybersecurity and cloud computing. Because actual implementation maturity is still catching up to this ambitious prioritization, finance leaders must begin preparing their data infrastructure now to safely deploy autonomous agents in the near future.

Mainstream AI

The new norm in finance and tax

Finance and tax leaders operate in an era where AI and automation are rooted in operations. In 2024, 47% of tax and finance teams said they were using AI heavily. That number jumped to 84% in 2025. The latest 2026 Hanover report shows 100% of surveyed finance and tax professionals use at least one AI solution.

AI is embedded in finance and ERP systems at 43% of organizations, and half of finance and tax teams use commercial AI models like ChatGPT, Gemini, Microsoft Copilot, and Perplexity in their work. Many (43%) leverage AI embedded in ERP and finance systems. Teams also leverage AI-enabled robotic process automation tools (41%), AI-powered analytics and forecasting tools (40%), and purpose-built finance and tax AI tools (38%).

Most teams report a moderate or strong understanding of the AI solutions they use in their jobs.

Organizations are using AI for a variety of tasks including financial analysis and reporting, real-time reporting and e-invoicing, and risk assessments. Many teams are using AI to prepare and file tax returns and to research and calculate sales tax and VAT. AI is also helping them manage receivables and payables, exemption certificates, and audits.

Respondents say they perceive real benefits from AI including increased operational efficiency, better decision-making, and improved accuracy. They also say AI has led to scalability of operations (36%), better compliance and risk management (35%), and cost savings (32%).

Software companies are particularly likely to see benefits from AI, with 58% reporting increased operational efficiency. Half of manufacturing and construction businesses report faster data processing.

Regionally, U.K. teams (52%) see major operational efficiency gains from AI, while Australia lags at 30% of organizations.

Virtually all (99%) of tax and finance leaders have a positive impression of the value and reliability of AI features embedded in compliance software.

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Respondents who say AI has led to

Cost savings **32%**

Better compliance and risk management **35%**

Scalability of operations **36%**

Avalara insight

What this means for finance and tax professionals

Finance teams have moved past the experimental phase of AI. AI adoption is widespread and firmly established within ERP systems, compliance platforms, procurement systems, and reporting workflows.

The future of fintech is interconnected. When AI is natively embedded in existing operational infrastructure, it streamlines operations. There is a tremendous opportunity to achieve unprecedented scalability, cost savings, and efficiency.

However, the risk lies in fragmented adoption — teams deploying disconnected AI tools could create operational silos and data discrepancies. Fragmented systems can lead to data inaccessibility if tax and compliance data, for example, isn't native or able to query all connected resources. Major risk also lies in using generative AI that can't be fully trusted to inform critical business functions like tax and compliance.

Finance leaders should audit their current tech stack to identify where embedded AI already exists or is lacking and prioritize intelligent solutions that integrate seamlessly rather than buying built-on, standalone applications.

AI governance

Putting responsible frameworks into practice

Finance organizations are building governance controls to verify AI outputs rather than blindly trusting them. Just 11% of finance and tax professionals say they rely on AI outputs without verification.

Concerns about data security and privacy remain prevalent. Results show 41% of finance and tax leaders say these concerns are a top barrier to automating finance and tax functions in their organizations, compared to 63% in 2025.

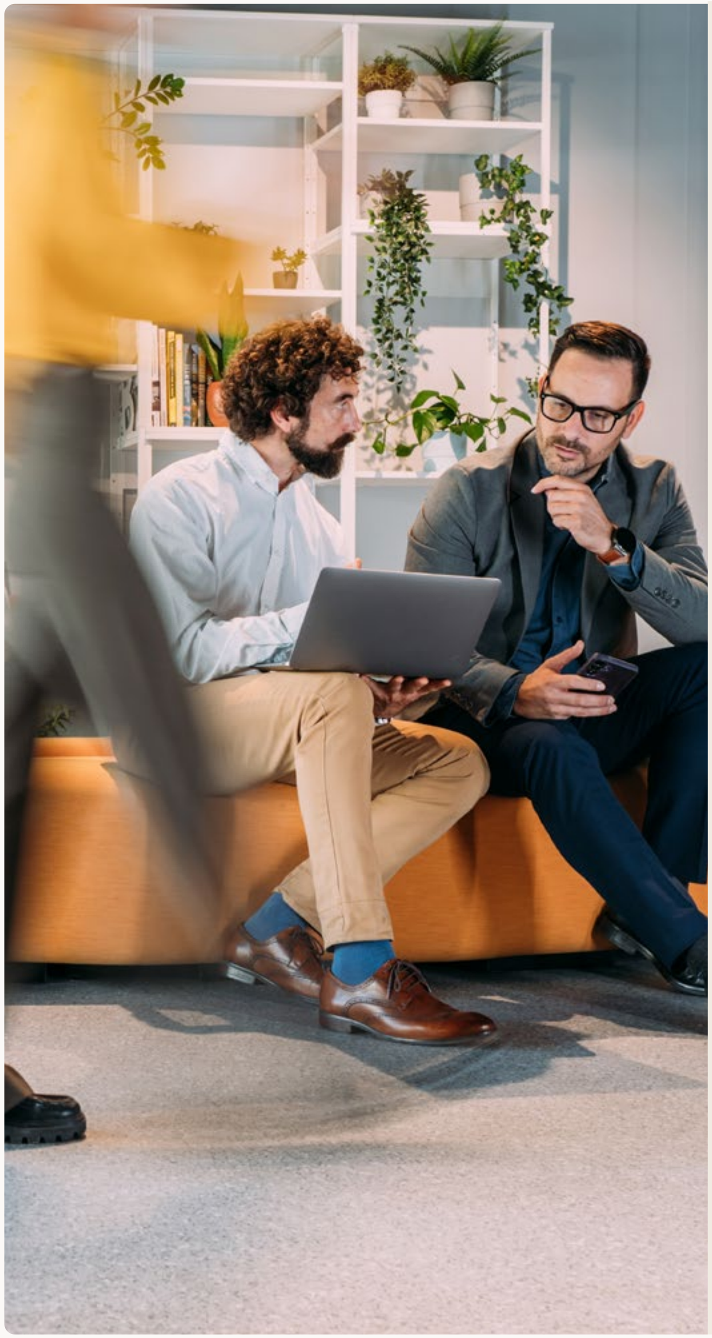
When it comes to adopting AI specifically, 28% of organizations say data security and privacy concerns were the biggest hurdles when selecting and implementing AI solutions, compared to 57% of organizations in 2025. And 26% of teams surveyed in 2026 say these challenges persisted after implementation, down from 55% in 2025. In 2024, 48% of finance and tax professionals reported data security and privacy concerns as their top challenge when using AI solutions.

Still, finance and tax leaders responded with high trust in the accuracy of output of AI solutions they use in their work. The AI solutions vary widely, but most respondents feel extremely or very confident about the accuracy of agentic AI solutions (93%), internal enterprise AI models (93%), commercial AI models (91%), and purpose-built finance and tax solutions (90%). Organizations in the U.K. are even more likely to trust agentic and enterprise AI models (98%). Australian teams are strong adopters of purpose-built AI tools, and they are most likely to trust that technology (98%).

Despite that trust, teams rarely rely on AI output without human oversight. Instead, they apply methods ranging from basic checks (48%) to detailed verification practices (35%). They most commonly review AI outputs against internal policies (56%) and cross-checking source documents (51%). Other verification steps include conducting peer reviews (49%), running test calculations (44%), and using a secondary AI model to compare responses (43%).

98% **Organizations in the U.K.** are even more likely than other respondents to trust agentic and enterprise AI models

98% **Australian teams** are strong adopters of purpose-built AI tools, and they are most likely to trust that technology



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What this means for finance and tax professionals

Organizations are designing oversight around AI rather than replacing oversight and human judgment with AI. While trust in AI models is remarkably high, implementing policies and guardrails for data security, privacy, and accuracy remains paramount. The results show some organizations lack fully mature governance frameworks. Unverified AI output in tax and finance can lead to severe regulatory and financial consequences.

A critical but sometimes overlooked dimension of AI governance is the architecture of the AI itself. Finance teams should be selective: Not every AI engine is appropriate for high-stakes tax and compliance work. Organizations should look for solutions built on a deterministic core, where logic is rules-based, consistent, and auditable — not probabilistic. Expert verification adds a second layer of trust, ensuring the underlying models and data have been reviewed and validated by credentialed professionals and outputs are audit-defensible and include necessary source citations. Together, these qualities transform AI from a convenience into a trustworthy compliance tool.

Now is the time to build a resilient, trustworthy AI operation that empowers employees to work faster and do more with fewer resources — without sacrificing accuracy. Organizations should formalize AI governance frameworks, institute tiered verification protocols (such as cross-checking source documents and running test calculations), and train teams not just how to use AI but also how to govern and audit it.

E-invoicing readiness

Navigating increasing compliance complexity

Businesses view their finance and tax teams as capable and prepared to address increasingly complex global compliance mandates. They note high levels of success across core tasks they perform, with about half of professionals saying they are very successful and most other teams saying they are at least somewhat successful.

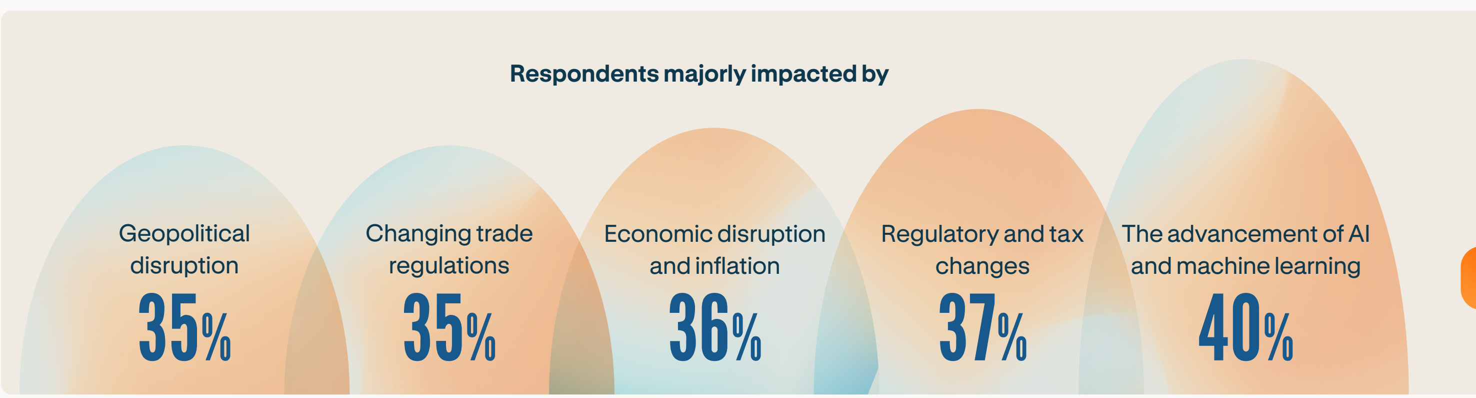
At the same time, many respondents say they've been majorly impacted by the advancement of AI and machine learning (40%), regulatory and tax changes (37%), economic disruption and inflation (36%), changing trade regulations (35%), and geopolitical disruption (35%). Retailers (50%) are more likely to cite geopolitical disruption as having a major effect on their business during the 12 months prior to the survey than any other external factor.

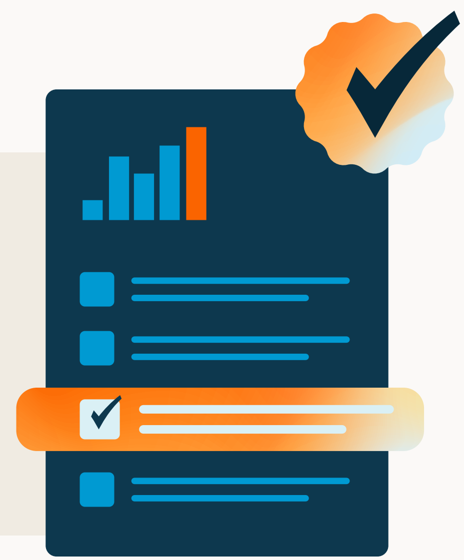
Businesses in Australia (44%) are significantly more likely to describe the adoption of e-invoicing and live reporting requirements as having a major impact on their finance and tax teams over the prior 12 months. In comparison, 31% of North America organizations and 30% of U.K. organizations say e-invoicing adoption had a major impact during the same period.

Retailers (82%) are significantly more likely than manufacturing and construction companies (68%) to say e-invoicing and live reporting majorly or moderately impacted their finance and tax teams.

All organizations surveyed say they have a strategy to comply with e-invoicing and live reporting mandates, and most finance teams (86%) say they are extremely or very prepared. One-third have rolled out a fully standardized, global process, even where not required. These are the same percentages we saw in 2025.

However, actual e-invoicing readiness remains uneven. Further data reveals 30% of respondents comply with mandates only where legally required. Others are in the process of implementing e-invoicing (35%), either for compliance or to create operational efficiency.





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What this means for finance and tax professionals

Governments globally are increasingly moving toward real-time reporting, continuous compliance visibility, and automated enforcement models. Tax authorities are gaining the ability to catch discrepancies in real time. Teams are feeling pressure to comply with mandates set by 80+ countries worldwide that have announced — or already require — e-invoicing and live reporting. While most feel prepared, many are complying only where legally mandated, revealing a potentially dangerous overestimation of their actual readiness.

Businesses that adopt a unified compliance approach will likely gain a huge competitive advantage over those scrambling to comply country by country.

Untapped potential

Realizing the true value of automation

Finance and tax teams have only partially automated most tasks, prompting new investment in AI and process optimization to further efficiency gains and advance their finance automation maturity.

A majority of respondents (between 81% and 85%) say they're extremely or very efficient at most tasks they perform. Slightly fewer say they are extremely or very efficient at real-time reporting and e-invoicing (79%).

Yet, more than half are still handling many tasks manually or using an even mix of manual and automated processes.

This is happening in compliance areas like preparing and filing tax returns (55%), researching and calculating sales tax and VAT (54%), and managing receivables and payables (52%). Even more are monitoring changes in tax regulations (60%), managing exemption certificates (59%), and handling customs duties and tariff compliance (56%) this way. Half of the organizations surveyed have fully or mostly automated real-time reporting and e-invoicing, while the rest handle this growing compliance area manually or partially manually.

A number of barriers stand in their way of fully automating. Security and privacy concerns, regulatory issues, limited expertise, integration challenges, and budget constraints continue to slow progress.

Across the board, many teams (between 70% and 76%) feel AI would be extremely or very impactful in automating each of the work activities they were asked about.

When respondents were asked to identify functions that would be most beneficial to automate, they prioritized data-intensive work like financial analysis and reporting and real-time reporting and e-invoicing.

On the opposite end, organizations are least likely to say they'd benefit from using automation to manage exemption certificates, handle customs duties and tariff compliance, and manage audits.

Teams still handle many tasks manually or mixed with automated processes

55% prepare and file tax returns

54% research and calculate sales tax and VAT

52% manage receivables and payables

60% monitor changes in tax regulations

59% manage exemption certificates

56% handle customs duties and tariff compliance

Across the board, between

70% and **76%**

feel AI would be extremely or very **impactful** in automating work activities

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What this means for finance and tax professionals

Finance teams have successfully automated basic, high-volume tasks, but many have hit a wall. Complex activities such as monitoring changes in tax regulations, managing exemption certificates, handling customs duties and tariff compliance, and managing audits are still heavily manual. Handling complex regulatory tasks manually drains resources and limits scalability.

Teams have an opportunity to unlock the next stage of efficiency by applying AI and automation to complex activities that bog down human workers. By shifting or expanding investment toward tasks that are research-heavy and time-consuming, teams can work faster and improve accuracy.

Agentic AI

Exploring the next frontier

Organizations are investing heavily in AI, and agentic AI is where they are headed next. Reflecting major finance technology trends, research indicates 42% of finance and tax teams expect to spend significantly more on AI technologies in the 12 months following the survey, or through spring 2027, and 55% expect to spend slightly more.

Organizations are making agentic AI systems (53%) their top technology priority. Half of all businesses surveyed are prioritizing generic AI and machine learning. This puts AI slightly above cybersecurity solutions (49%) and data analytics tools (49%) on their priority list, and further ahead of other technologies like cloud computing (42%) and enterprise resource planning systems (41%).

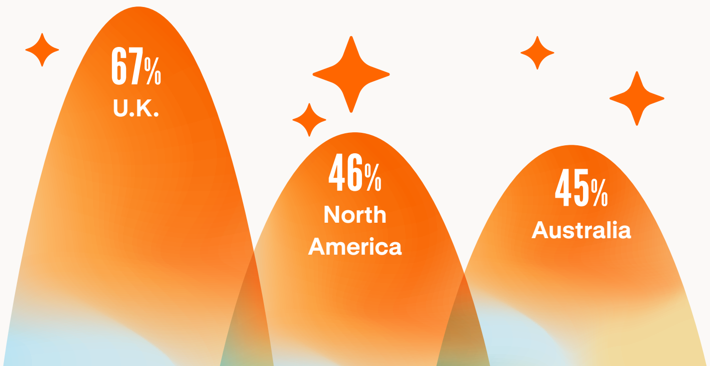
The software and IT industry is aggressively prioritizing agentic AI (74%), far outpacing manufacturers and construction businesses (38%) and the overall average. Manufacturers and construction businesses are more likely to prioritize technologies like cybersecurity (57%) and generic AI (55%).

The U.K. leads in agentic AI where 67% of organizations make it a top priority, significantly higher than those in North America (46%) and Australia (45%).

Actual implementation maturity is relatively low, and teams are still learning about agentic AI. Hanover found 29% of finance and tax teams already use agentic AI solutions for their work.

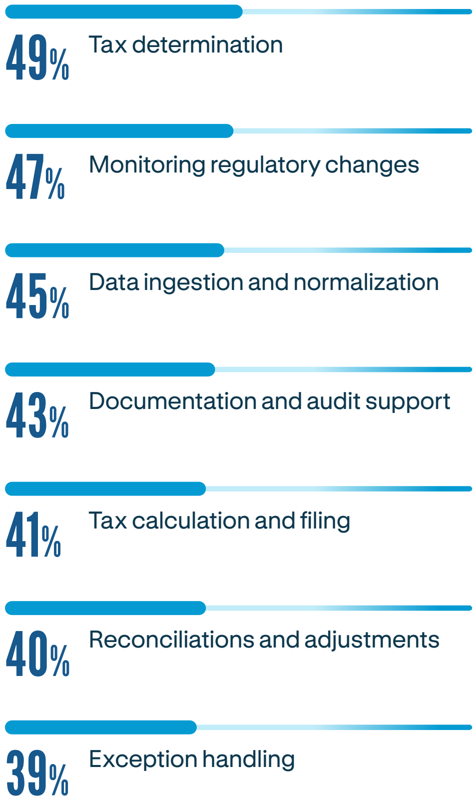
Moreover, 38% of teams report a strong understanding of agentic AI and 45% say they have a moderate understanding. Respondents reported a stronger understanding of other types of AI, including purpose-built finance and tax AI tools (47%), commercial AI models (47%), and enterprise AI models (45%), than agentic AI.

Despite this gap, organizations see broad potential value for agentic AI across the compliance life cycle. Many believe agentic AI use cases in finance can help with tax determination (49%), monitoring regulatory changes (47%), data ingestion and normalization (45%), and documentation and audit support (43%). Tax and finance professionals also say agentic AI can support their organizations with tax calculation and filing (41%), reconciliations and adjustments (40%), and exception handling (39%).



Organizations are making agentic AI systems their top technology priority

Organizations see potential value in using agentic AI for the following:



Avalara insight

What this means for finance and tax professionals

Finance leaders increasingly envision systems capable of monitoring, identifying, normalizing, and supporting compliance activities autonomously. The shift to agentic AI represents a massive leap from traditional automation (doing what you tell it to do) to proactive automation (identifying problems, normalizing data, and resolving compliance activities autonomously). The opportunity for hands-free tax determination and proactive, continuous compliance monitoring is game-changing.

However, the risk is investing in agentic AI without the infrastructure to support it. Autonomous systems are only as trustworthy as the foundation beneath them. Finance and tax leaders who want to capitalize on this shift must prioritize three things: a comprehensive, connected data foundation that gives AI accurate inputs to work from; a deterministic engine that delivers consistent, verifiable outputs rather than probabilistic guesses; and governance frameworks built into the system from the start.

Aligning priorities

Building an intelligent finance organization

The finance and tax teams best positioned for the future aren't simply investing in AI. Improving data and analytics and setting finance technology strategy were their top priorities during the 12 months prior to the survey and will continue to be main priorities over the next three years.

Transactional tax management and compliance will continue to be important as well, with 30% of teams making it a top priority over the next three years. This is a major priority for the software and IT industry (42%) compared to retail (26%), suggesting differing regulatory pressures or complexities.

However, the main priorities for finance and tax teams have shifted since 2025. For instance, global market expansion was a main priority for 42% of businesses during the 12 months prior to the 2025 survey and 61% of teams projected it would be a top priority over the next three years. The 2026 report tells a different story. Global market expansion was a top priority for 26% of companies in the 12 months prior to the survey, and 27% of teams say it will be a top priority during the next three years.

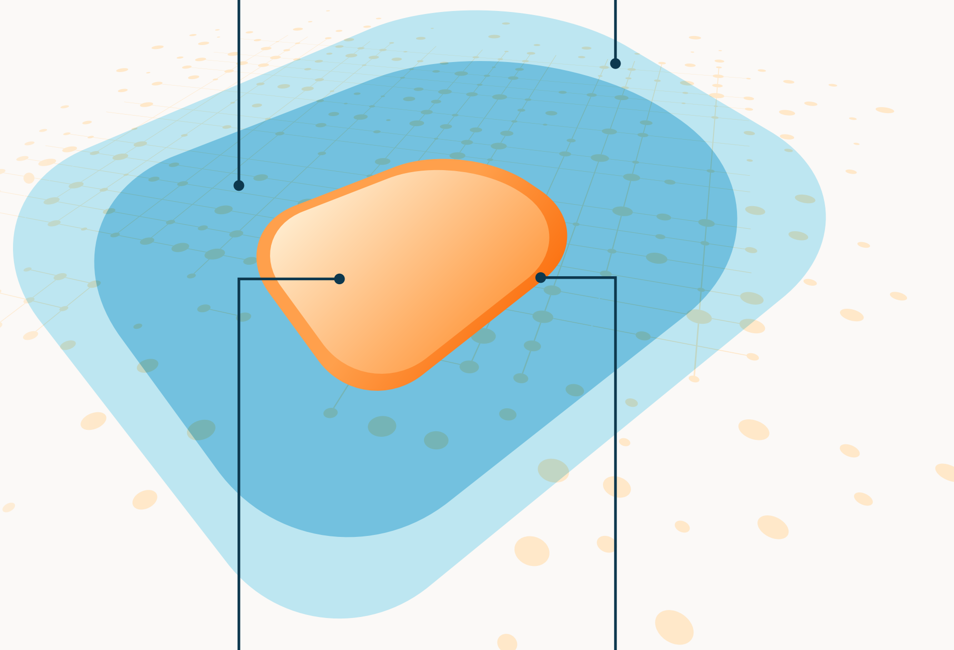
The path to achieving these goals will likely be shaped by where the decision-making power sits — whether with executives, the functional teams, or a combination of the two. Interestingly, leadership teams (59%) primarily controlled the strategic direction of the tax function in 2025. In 2026, finance and tax teams (60%) are in the lead. But while 70% of finance and tax teams reported in 2025 that they had major input on decisions impacting the tax function at their organization, Hanover's latest report shows just 39% of teams say they have major input.

Despite identifying many tax and finance functions that would be beneficial to automate, 27% of survey respondents say lack of leadership buy-in is a major obstacle to automating. In addition, 31% of respondents cite employee resistance as one of the biggest barriers.

Companies that prioritized global market expansion in 2025

42% of businesses during the **12 months** prior to the 2025 survey

61% of teams projected it would be a top priority over the next **three years**



Companies prioritizing global market expansion in 2026 and beyond

26% of companies in the **12 months** prior to the 2026 survey

27% of teams say it will be a top priority during the next **three years**

Avalara insight

What this means for finance and tax professionals

Organizations appear to be more cautious about scaling globally and are turning their focus on optimizing internally. Finance teams are taking the lead on executing these tax strategies, though they report having less input into top-level organizational decisions.

Considerable risks to this internal transformation are leadership misalignment and employee resistance. Finance leaders need to bridge the gap between the finance floor and the C-suite. Organizations should focus heavily on change management to overcome employee resistance, secure executive buy-in for automation investments, and ensure their internal tech foundation is rock solid before pursuing the next surge of geographic expansion.

The path forward

Powering the future-ready finance team

The transition from manual processes to automated processes and now intelligent, autonomous processes is becoming both a regulatory necessity and a competitive advantage. That is where Avalara Agentic Tax and Compliance™ comes in.

Avalara helps finance and tax professionals turn complex global regulatory burdens into scalable, audit-defensible operations. Agentic Tax and Compliance™ brings tax research, calculation, exemption certificate management, returns preparation and filing, and reporting together into proactive, agentic workflows built directly into the systems businesses already rely on.

Every result is source-backed, explainable, and supported by Avalara's deterministic compliance engine and 20+ years of regulatory intelligence.

With Avalara, finance and tax professionals aren't just keeping pace with an evolving regulatory landscape. They're prepared for what comes next.

Avalara

Disclaimer:

Tax rates, rules, and regulations change frequently. We hope you find this information helpful; however, this resource is for informational purposes only and does not provide legal or tax advice.

ABOUT AVALARA

Avalara is redefining how businesses manage tax and compliance by embedding AI agents directly into the tools, systems, and workflows where compliance occurs, including ERPs, ecommerce platforms, POS solutions, email applications, and web browsers. Backed by a legacy of 20+ years of providing innovative solutions for tax and compliance, these agents don't just assist — they complete tasks and do the work. Using expertise, speed, and precision, Avalara agents calculate taxes, file returns, validate data, and manage jurisdictional rules and global e-invoicing requirements. With one of the largest and regularly updated collections of tax content, Avalara Agentic Tax and Compliance™ is trusted by millions of businesses worldwide.

Learn why at **Avalara.com**.