

Legal, Tax & Accounting Update: What Tech Leaders Need to Know for 2026

Tuesday, January 20, 2026

Program context

This TER panel focused on the practical implications of recent legal, tax, accounting, privacy, and AI developments shaping the 2026 operating environment for technology companies. A central backdrop was the One Big Beautiful Bill Act (OBBA), signed into law on July 4, 2025, alongside accelerating regulatory complexity around data, AI, and deal readiness.

1) AI as a force multiplier—speed without abdication

Panelists consistently framed AI and large language models (LLMs) as tools to dramatically reduce cycle time across finance, tax, legal, and operational workflows—particularly for research, drafting, modeling, and first-pass analysis.

However, a recurring theme was the importance of judgment:

- AI can often get teams 90% of the way there, but the final 10%—validation, interpretation, and risk assessment—must remain with experienced professionals.
- Overreliance on AI without expert review creates real exposure, especially in tax planning, compliance, contracts, and diligence.
- Sophisticated counterparties and investors can often identify when diligence responses or policies are AI-generated but not market-aligned.

Executive takeaway: Use AI to accelerate work, not to replace accountability or professional sign-off.

2) Tax landscape reset: OBBA materially changes 2026 planning

The OBBA restored and expanded several taxpayer-favorable provisions that are especially impactful for technology companies:

Key tax provisions discussed

R&D / IRC §174

- Domestic research and experimental (R&E) expenditures are now fully deductible in the year incurred, permanently, under new IRC §174A.
- Foreign R&E must still be capitalized and amortized over 15 years under amended §174.
- This change significantly improves cash flow for U.S.-based software development, AI model training, and innovation activity.

Business interest expense / IRC §163(j)

- The limitation permanently reverts to a tax-adjusted EBITDA basis, allowing higher interest deductions than the prior EBIT-based rule.
- Particularly relevant for debt-financed growth, acquisitions, and infrastructure investments.

Bonus depreciation / IRC §168(k)

- 100% bonus depreciation is made permanent for most qualified property acquired after January 19, 2025.
- Especially impactful for servers, networking equipment, and data center assets.

Qualified Small Business Stock (QSBS) / IRC §1202

- For QSBS issued after July 4, 2025:
 - Gross asset threshold increased from \$50M to \$75M (indexed).
 - Gain exclusion cap increased from \$10M to \$15M (indexed).
 - New tiered exclusion: 50% after 3 years, 75% after 4 years, 100% after 5 years.
 - While highly attractive to investors and founders, QSBS remains easy to inadvertently disqualify through restructuring, financings, or secondary transactions—and some errors are difficult or impossible to fix.

Executive takeaway: Tax planning is no longer episodic. Boards and leadership teams must continuously monitor changes and revisit prior assumptions, particularly around R&D treatment, financing structures, and exit planning.

3) Privacy, cybersecurity, and AI risk: fundamentals matter more than ever

As privacy and AI-related regulation continues to proliferate at the state and international level, panelists emphasized returning to basics:

- **Know what data you have**, where it resides, and how it flows through your systems.
- **Third-party risk** is a major exposure area—many breaches originate with vendors, not internal systems.
- Security and compliance are not purely technical:
 - Access controls
 - Joiner/mover/leaver processes
 - Change management
 - Incident response readiness

AI introduces an additional layer of complexity:

- Be deliberate about what data is used in AI tools.
- Begin establishing AI governance: permitted use cases, prohibited data, oversight, and documentation.
- Expect AI-related questions to increasingly appear in diligence, audits, and customer inquiries.

Executive takeaway: Companies that can clearly explain their data, vendors, and AI usage are better positioned to withstand regulatory scrutiny and diligence.

4) Deal readiness: fewer deal killers, more value friction

Legal and compliance issues discussed are increasingly value-affecting, even if they do not outright block transactions. Common diligence focus areas for 2026 include:

- Employee vs. independent contractor classification (state-by-state variability)
- Sales tax exposure (often discovered late and viewed negatively by buyers)
- Contract assignability and change-of-control provisions
- 409A valuation discipline for equity and options
- Privacy, cybersecurity, and AI governance posture (including EU-driven expectations)
- **Open source usage and compliance**, now a more frequent diligence topic

Investors are less likely to walk away immediately—but more likely to adjust valuation, impose post-close remediation, or carve risks out of insurance coverage.

Executive takeaway: Strong governance documentation and early issue identification reduce friction, protect value, and shorten deal timelines.

Practical priorities for the next 90 days

1. Reassess R&D / §174 strategy, including potential refunds or amended returns.
2. Inventory data assets and third-party vendors, and review key vendor controls.
3. Establish or refine an AI usage and governance policy.
4. Conduct a pre-diligence review (sales tax, 409A, contractor classification, key contracts, open source).
5. Engage advisors early—AI accelerates work, but experience prevents costly mistakes.