



IRS GUIDANCE ON GENERATIVE AI

What It Means for the Future of Tax

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On June 24, 2026, the IRS Office of Professional Responsibility (OPR) issued Alert 2026-19, Introductory Guidelines for Responsible AI Use in Federal Tax Practice. The guidance marks an important milestone in the evolution of tax technology, recognizing the growing role of artificial intelligence while clarifying how existing professional standards continue to apply when AI is incorporated into tax practice.

Perhaps the most notable aspect of OPR Alert 2026-19 is its discussion of Generative AI (GAI). As AI-powered tools become increasingly integrated into tax workflows, the IRS is reinforcing a message that many tax professionals and technology providers already recognize: AI is becoming a permanent part of the tax ecosystem.

KEY TAKEAWAYS

The IRS recognizes that Generative AI is becoming an important part of modern tax practice.

Tax professionals remain responsible for the accuracy and quality of their work, regardless of the technology they use.

Governance, transparency, security, and human oversight are essential to responsible AI adoption.

Organizations should evaluate AI solutions

based on their ability to support tax-specific workflows while safeguarding taxpayer information.

AI adoption should enhance professional expertise while maintaining trust, accountability, and compliance with evolving regulatory expectations.

AI IS BECOMING A CORE PART OF MODERN TAX WORKFLOWS

Artificial intelligence is no longer a future concept for the tax industry. From document analysis and data extraction to research assistance and workflow automation, AI is helping professionals work more efficiently, uncover insights faster, and focus their time on higher-value activities.

As firms and tax departments look for ways to manage increasing complexity and growing volumes of information, AI is moving from experimentation to everyday practice.

OPR Alert 2026-19 acknowledges this reality while emphasizing that the adoption of AI does not change a practitioner's professional responsibilities. Tax professionals remain accountable for the accuracy, completeness, and quality of the work they produce, regardless of the tools used to support that work.

WHY THE IRS FOCUSES ON GENERATIVE AI

GENERATIVE AI (GAI)

refers to artificial intelligence systems capable of generating original content—such as text, summaries, analyses, and recommendations—in response to user prompts.

Unlike traditional software that follows predefined rules, Generative AI allows users to engage with complex datasets, documents, and workflows through natural language. These systems can summarize information, identify relevant data, accelerate research, and help professionals navigate large volumes of tax information more efficiently.

For tax professionals, these capabilities create opportunities to streamline workflows, reduce manual effort, and improve productivity.

What's notable about the IRS guidance is not whether AI should be used, but how it should be used. **The guidance emphasizes governance, transparency, security, and accountability—principles that help organizations realize the full value of AI while maintaining confidence in the results.**

Rather than viewing AI as a replacement for professional expertise, the guidance reinforces the role of AI as a powerful tool that can augment human judgment and support better decision-making.

PRACTITIONER RESPONSIBILITY REMAINS UNCHANGED

One of the most important takeaways from OPR Alert 2026-19 is that responsibility for the work product remains with the practitioner. Consistent with the longstanding standards established under **Treasury Department Circular 230**, AI can assist with research, analysis, information gathering, and workflow execution, but it does not replace professional expertise or judgment.

Tax professionals must continue to exercise due diligence, validate conclusions, and ensure compliance with applicable standards and regulations. The use of AI does not diminish these professional obligations.

OPR Alert 2026-19 reinforces that AI should operate within a framework of professional oversight, data security, and

accountability—principles that are essential for any technology supporting tax workflows.

Organizations that implement AI within clearly defined review processes and governance frameworks will be well positioned to maximize the technology's benefits while maintaining confidence in the results.

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GOVERNANCE, SECURITY, AND TRANSPARENCY MATTER

A consistent theme throughout the IRS guidance is the importance of responsible AI adoption.

The guidance also aligns with existing IRS publications focused on protecting taxpayer information. IRS Publication 4557, *Safeguarding Taxpayer Data*, continues to provide best practices for protecting sensitive taxpayer information and reinforces the importance of implementing appropriate administrative, technical, and physical safeguards as organizations adopt new technologies.

As organizations evaluate AI solutions, several questions should be considered:

These considerations are becoming increasingly important as AI transitions from an emerging technology to a foundational component of tax workflows.

The organizations that derive the greatest value from AI will be those that view governance, security, and transparency not as obstacles to innovation, but as enablers of long-term adoption and trust.

1. HOW IS SENSITIVE TAXPAYER INFORMATION PROTECTED?
2. WHAT CONTROLS EXIST TO GOVERN AI USAGE?
3. HOW ARE OUTPUTS REVIEWED AND VALIDATED?
4. CAN USERS UNDERSTAND AND TRUST THE INFORMATION BEING PRESENTED?
5. WHAT PROCESSES ARE IN PLACE TO ENSURE ACCOUNTABILITY?



CHOOSING AI TOOLS FOR TAX PRACTICE

As organizations adopt AI, it's important to recognize that not all AI solutions are designed for professional tax workflows.

General-purpose consumer AI applications can be valuable for research, brainstorming, and drafting content. However, organizations should carefully evaluate whether any AI solution is appropriate for handling confidential taxpayer information. **OPR Alert 2026-19 and IRS Publication 4557 reinforce the importance of safeguarding taxpayer information and understanding how data is processed, retained, and protected before incorporating AI into tax workflows.**

The IRS guidance reinforces the importance of safeguarding taxpayer information and maintaining appropriate governance when using AI. As a result, organizations should look for AI solutions that are designed with the security, privacy, and compliance expectations of the tax profession in mind.

Selecting an AI platform should involve more than evaluating productivity features. Organizations should also consider how the solution supports data protection, transparency, governance, and long-term regulatory expectations.

WHAT THIS MEANS FOR TAX TECHNOLOGY PROVIDERS

For technology providers serving the tax industry, the IRS guidance reinforces many of the principles that have emerged as best practices for AI development.

Building AI solutions for tax requires more than delivering efficiency gains. Providers must also prioritize security, transparency, explainability, and human oversight. The most successful solutions will be those that help professionals work more effectively while

maintaining confidence in the underlying outputs.

As Generative AI continues to evolve, trust will remain a critical differentiator. Organizations adopting AI increasingly expect solutions that not only improve productivity, but also align with professional standards, regulatory expectations, and the realities of tax practice.



WHAT ORGANIZATIONS SHOULD BE THINKING ABOUT TODAY

The IRS's guidance provides more than a framework for AI adoption—it also offers organizations an opportunity to evaluate how they are approaching AI within their tax functions.

As firms and tax departments assess AI solutions, several questions are worth considering:

1. DOES THE SOLUTION PROVIDE MEANINGFUL TRANSPARENCY INTO HOW INFORMATION AND RECOMMENDATIONS ARE GENERATED?
2. ARE GOVERNANCE AND SECURITY BUILT INTO THE PLATFORM FROM THE OUTSET?
3. DOES THE TECHNOLOGY COMPLEMENT THE EXPERTISE OF TAX PROFESSIONALS RATHER THAN REPLACE IT?
4. IS THE SOLUTION DESIGNED SPECIFICALLY FOR THE COMPLEXITIES OF TAX, OR IS IT A GENERAL-PURPOSE AI TOOL BEING ADAPTED FOR TAX USE?
5. DOES THE SOLUTION HAVE A ROADMAP FOR ADAPTING AS AI CAPABILITIES, REGULATORY GUIDANCE, AND INDUSTRY EXPECTATIONS CONTINUE TO EVOLVE?

As AI adoption accelerates, organizations will increasingly look beyond productivity gains alone. They'll seek solutions that combine innovation with governance, transparency, and tax-specific expertise.

The IRS's guidance is an important reminder that the future of tax isn't simply about adopting AI—it's about adopting AI thoughtfully.

LOOKING AHEAD

The IRS's guidance marks an important step in the evolution of AI within the tax profession. As AI continues to mature, organizations that embrace innovation while prioritizing governance, transparency, and trust will be best positioned for long-term success.

For AI-first tax technology companies, the guidance reinforces a direction that is already clear: the future of tax will be shaped by solutions that combine advanced AI capabilities with the controls, transparency, and intelligence that tax professionals expect.

More importantly, it signals a broader shift for the profession. AI is no longer a technology organizations are simply evaluating—it's becoming an integral part of how tax work is performed. The organizations that start asking the right questions and building the right foundations today will be the ones best prepared for the future.

ADDITIONAL RESOURCES

For readers interested in learning more, the following IRS resources provide additional context on the responsible use of AI in tax practice and the professional standards that continue to apply:

[IRS OFFICE OF PROFESSIONAL
RESPONSIBILITY ALERT 2026-19](#)

Introductory Guidelines for Responsible
AI Use in Federal Tax Practice

[IRS PUBLICATION 4557](#)

Safeguarding Taxpayer Data

[TREASURY DEPARTMENT
CIRCULAR 230](#)

Regulations Governing Practice
Before the Internal Revenue Service

About K1x, Inc.

K1x is the leading data distribution platform for alternative investment tax compliance as well as the industry standard, IRS-certified solution for seamless tax-exempt filings.

The fintech company's patented, AI-powered SaaS solution digitizes and distributes tax data seamlessly—connecting investors, accounting firms, tax software, IRS and state taxing authorities—simplifying complex processes, accelerating filings, reducing costs, and delivering greater control and

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