

TTC-EY Tax Policy Barometer

November 2025



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Introduction

The Tax Council (TTC) and Ernst & Young LLP (EY) produce the Tax Policy Barometer, providing insights on the business community's perceptions on a variety of business tax and other key policy issues. This 25th Barometer tracks the views reported from November 3, 2025 through November 12, 2025, and assesses perceptions on issues such as tax policy, tariffs and trade, policy uncertainty, prospects for deficit reduction and generative artificial intelligence (AI) adoption in tax departments.

Key results:

- **Near-term tax policy priorities:** 41% of respondents indicated that One Big Beautiful Bill Act (OBBBA) implementation was their top tax policy priority for the next 12 months. 25% of respondents reported international tax as their top priority.
- **Net impact of the OBBBA and trade frictions/tariffs:** 81% of respondents report that the net impact of (i) the OBBBA and (ii) the current trade frictions and rise in tariffs is either net neutral or net negative for their business. A slight majority (56%) report that it is net negative and a quarter report that it is net neutral.
- **Tariff deescalation:** a slight majority of respondents (58%) anticipate that the current trade frictions will deescalate by 2028 and nearly all respondents (94%) anticipate that they will deescalate by 2029. This implies that respondents do not anticipate that the current increase in tariffs will be a permanent revenue source.
- **Addressing long-term fiscal imbalance:** 68% of respondents do not anticipate there will be major legislation to reduce the deficit/debt by 2030. For those who do, a majority (67%) anticipate the legislation would reduce the deficit by at most 10% to 15%.

41%

indicated **OBBBA implementation** was their **top tax policy priority** for the next 12 months.

81%

report **net neutral or net negative impacts** from the OBBBA, trade frictions, and the rise in tariffs.

94%

anticipate the current trade frictions and rise in tariffs will **deescalate by 2029**.

68%

do not anticipate there will be major legislation to reduce the deficit/debt by 2030.

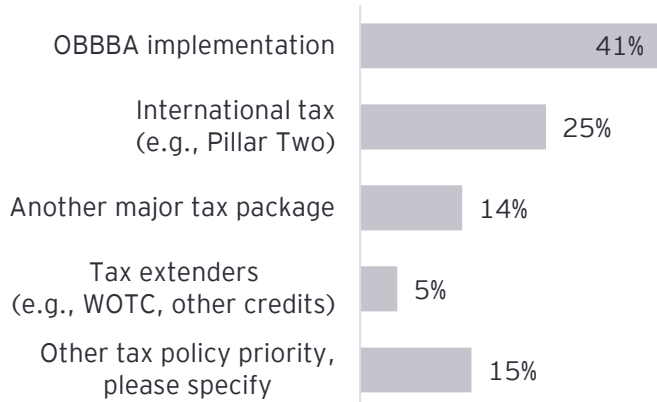


Tax policy

Tax policy priorities

- The most common primary tax policy priority for the next 12 months is OBBBA implementation (41%), followed by international tax, including Pillar Two (25%). Another 14% are prioritizing another major tax package, 5% are prioritizing tax extenders, and 15% selected “Other,” noting priorities such as CAMT guidance, tax rulings, clean energy credits and other tax policy issues.

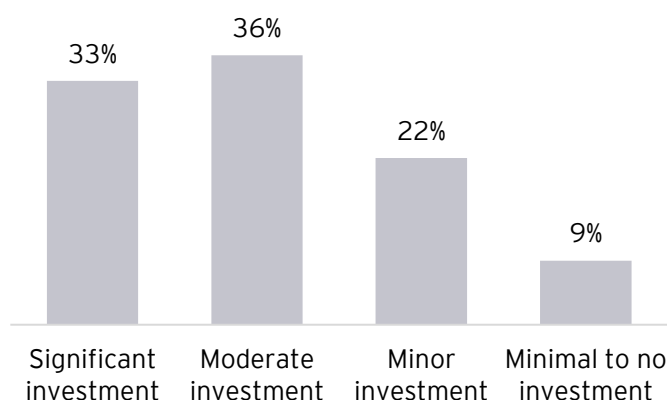
Primary tax policy priority over the next 12 months



Pillar Two

- 91% of respondents are investing in preparing for and analyzing Pillar Two compliance: 33% are investing significantly, 36% are investing moderately and 22% are making minor investments. Only 9% report minimal to no investment.

Pillar Two investment



Note: figures are rounded.

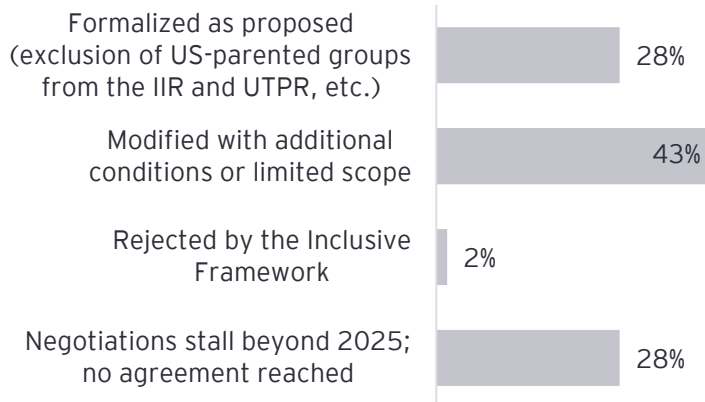


Tax policy (continued)

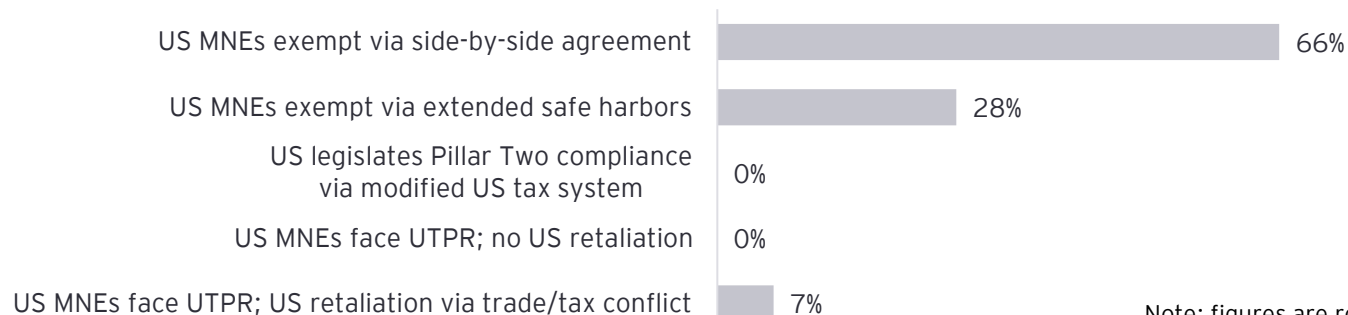
Pillar Two (continued)

- There is uncertainty regarding the most likely outcome for the G7 “side-by-side” solution for Pillar Two by the end of 2025. In contrast, responses for 2026 were more aligned on US multinational enterprises (MNEs) being exempt.
- Respondents are divided on the most likely outcome by the end of 2025: 43% anticipate modifications with additional conditions or limited scope, 28% expect formalization as proposed and 28% anticipate negotiations will stall beyond 2025.
- Most respondents anticipate US MNEs will be exempt by the end of 2026 (94%): 66% via “side-by-side” agreement and 28% via extended safe harbors. Only 7% anticipate US MNEs will face Undertaxed Profits Rules (UTPRs) and that the United States will enact retaliatory tax/trade policy.

Most likely outcome for the G7 “side-by-side” solution for Pillar Two by the end of 2025



Most likely status of US participation in Pillar Two by the end of 2026



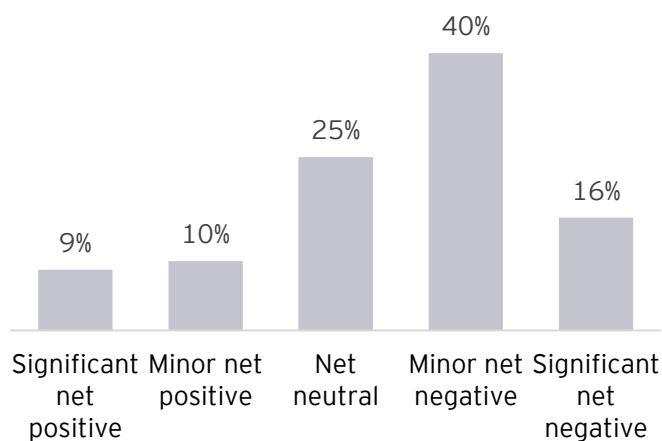
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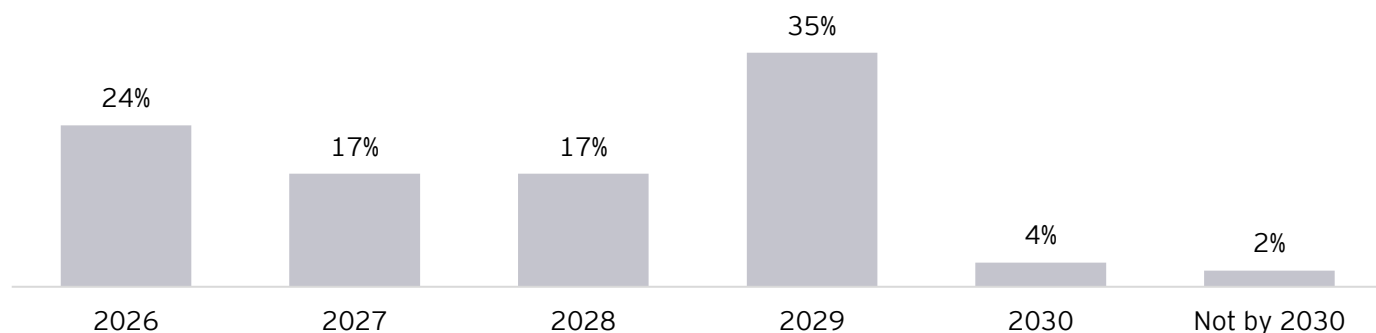
Tariffs

- 81% of respondents report that the net impact of (i) the OBBBA and (ii) the current trade frictions and rise in tariffs is either net neutral or net negative for their business. A slight majority (56%) report that it is net negative and a quarter report that it is net neutral.
- A slight majority (58%) of respondents anticipate the current trade frictions and rise in tariffs will deescalate by 2028 and nearly all respondents (94%) anticipate they will deescalate by 2029. This implies that respondents do not anticipate that the current increase in tariffs will be a permanent revenue source.

Net impact of the OBBBA, trade frictions and the rise in tariffs



Year in which it is most likely that the current trade frictions and rise in tariffs between the United States and its major trading partners will deescalate



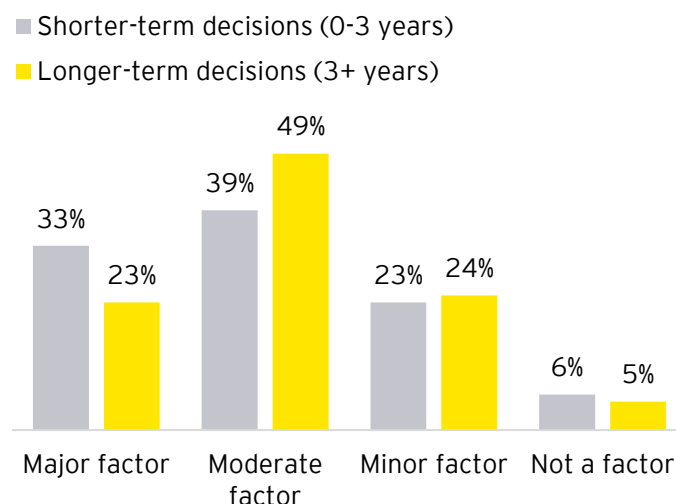
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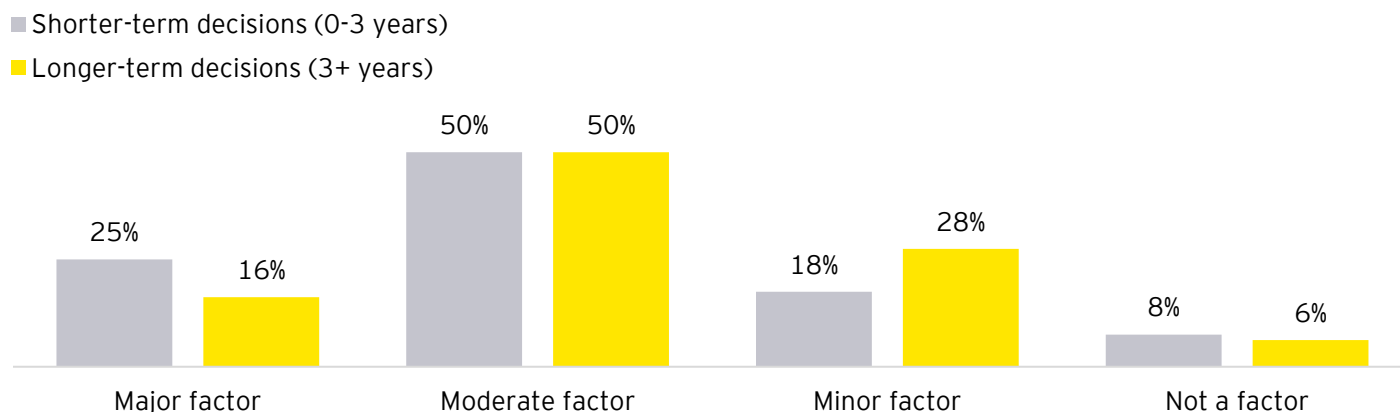
Policy uncertainty

- Nearly three-quarters of respondents report that tax policy uncertainty is at least a moderate factor for both shorter-term (0-3 years) and longer-term (3+ years) business decisions. Results are broadly similar across both time horizons.
- 75% of respondents report that trade/tariff uncertainty is at least a moderate factor in shorter-term business decisions. This declines to 66% for longer-term decisions.

Tax policy uncertainty impact on business decisions



Trade/tariff policy uncertainty impact on business decisions



Note: figures are rounded.



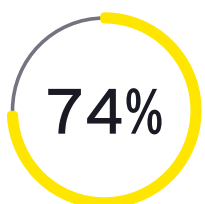
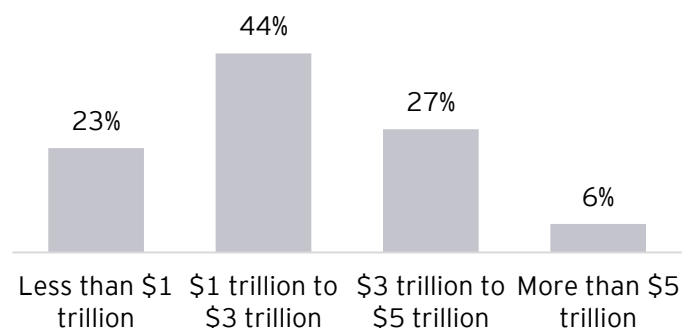
Deficit/debt

- 68% of respondents do not anticipate there will be major legislation to reduce the deficit/debt by 2030.
- For respondents who do anticipate such legislation:
 - Roughly a quarter of respondents anticipate the 10-year deficit reduction will be less than \$1 trillion and roughly two-thirds anticipate it will be less than \$3 trillion. For context, the deficit in 2025 is projected to be nearly \$2 trillion and the annual deficit is projected to increase over time.* Accordingly, a majority of respondents (67%) anticipate the legislation would reduce the deficit by at most 10% to 15%.
 - Approximately three-quarters of respondents anticipate deficit reduction would most likely occur via a tax increase. Respondents anticipate the most likely tax increase would be a corporate income tax rate increase, the enactment of a wealth tax or an increase in tariffs.



do not anticipate there will be major legislation to reduce the deficit/debt by 2030.

Anticipated size of 10-year deficit reduction if major legislation is enacted by 2030



anticipate that if major legislation is enacted to reduce the deficit, the most likely mechanism is a tax increase.

* Congressional Budget Office, *The Long-Term Budget Outlook: 2025 to 2055*, March 2025.

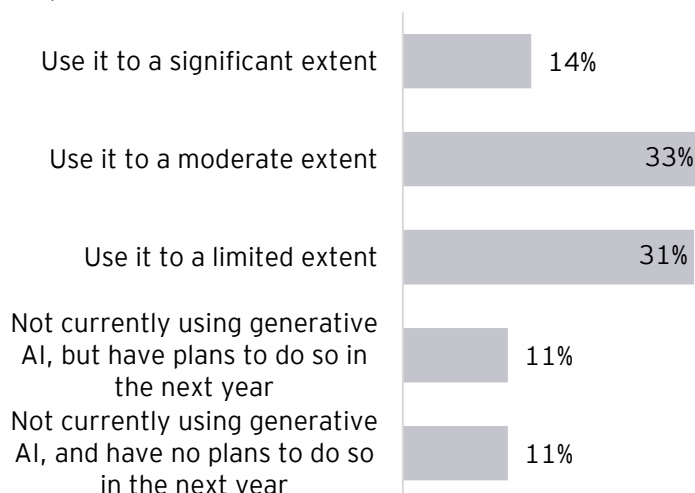
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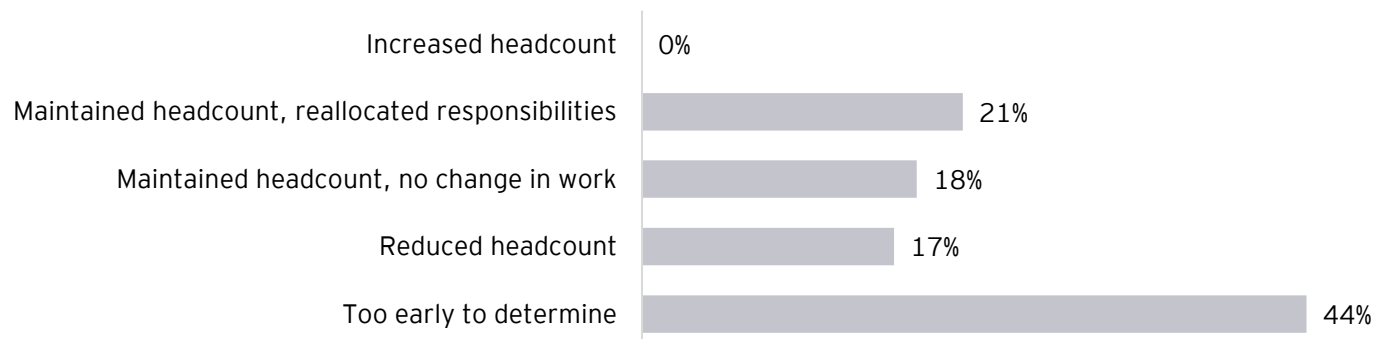
Generative AI

- A significant majority of respondents (78%) use generative AI in their tax department. Moreover, half of respondents who do not use generative AI in their tax department have plans to do so in the next year.
- A significant majority of respondents report that use of generative AI has not resulted in reduced headcount in their tax department or that it is too early to tell (83%). 17% of respondents report it has resulted in reduced headcount in their tax department and 0% of respondents report it has resulted in increased headcount in their tax department.

Generative AI adoption in tax departments



Impact of generative AI adoption in tax departments using it



Note: figures are rounded.



About The Tax Council

The Tax Council (thetaxcouncil.org) is a Washington, DC-based nonprofit membership organization that has been promoting sound tax and fiscal policies since 1966. Our membership is composed of (but not limited to) Fortune 500 companies, leading accounting and law firms, and major trade associations. The Tax Council's mission is to provide leadership in the tax and fiscal policy arenas, to contribute to a better understanding of complex tax laws and regulations through informational forums, and to advocate sound tax and fiscal policies that encourage capital formation and preservation in order to enlarge productive investment and generate national economic growth. We provide a regular forum (luncheons and conferences) for our members to meet with key tax policy decision-makers from the U.S. Congress to discuss important current tax issues, sponsor an annual three-day Spring Tax Policy Conference, and develop tax policy information and positions for public dissemination. The Tax Council is affiliated with the Tax Council Policy Institute (TCPI), a nonpartisan and nonprofit 501(c)(3) education and public policy research organization. For more information, please visit tcpi.org.

Contacts

For more information on the Barometer, please contact the following professionals:

Lynda K. Walker, Esq

President & CEO
The Tax Council

Washington, DC
+1 202 414 1460
lwalker@thetaxcouncil.org

Brandon M. Pizzola, PhD

Principal
Ernst & Young LLP

Washington, DC
+1 202 327 6864
brandon.pizzola@ey.com

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