AI Is Rewriting Where and How Taxes Are Paid

Andrew Silverman
Team: Government
BI Senior Government Analyst

1. TEST-AI Could Redefine Global, Federal and State Corporate Tax Bases

(Bloomberg Intelligence) -- AI may reshape not only business productivity, but also which companies face the greatest tax exposure across global, federal and state tax systems. As economic activity shifts away from wages and payroll and towards AI infrastructure, computing power and energy demand, firms tied to the physical backbone of the AI economy may face rising scrutiny from tax authorities. Semiconductor manufacturers, utilities, data center operators and industrial equipment providers could become increasingly central to future tax collection efforts. The shift may force policymakers to rethink tax systems which are, today, built primarily on labor income, payrolls and consumer spending. (05/27/26)

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Wage Tax Will Fall Short

2. TEST-AI Will Redefine What the IRS Taxes and Who Ultimately Pays

The rise of AI may expose a growing mismatch between how the US tax system raises revenue and where economic value is increasingly created. As automation reduces reliance on labor, companies tied to semiconductors, data centers and electricity demand, from Nvidia and TSMC to utilities and AI hyperscalers, may become increasingly central to the federal tax base. (05/27/26)

3. TEST-Automation May Pressure Federal Revenue

In a high-automation scenario in which labor's share of income declines by 15% over a decade, federal revenue could fall by roughly 12-13%, or about $600 billion annually, before accounting for offsets from higher corporate profits or capital income. The US tax system is heavily dependent on labor, with individual income and payroll taxes making up about 80-85% of federal revenue. AI-driven productivity may boost corporate earnings, but reduced employment and weaker consumer spending could offset some of those gains.

Thus, federal assistance to AI today, most notably in the 2022 CHIPS and Science Act and via R&D and energy tax credits, may be subsidizing a future that's less taxable than the present; trading stable, wage-based revenues for capital-intensive growth that generates a narrower and more volatile tax base. (05/27/26)

Estimated AI Impact on US Labor and Taxation

AI Automation Scenarios and the US Tax Base

Scenario	Labor share decline	Federal revenue loss	Annual $ impact	Analytical basis	Rationale
Low automation	1-3 percentage pts.	1-3 percent	$50-$160 billion	Comparable to modest periods of labor-share erosion since the 1980s.	AI primarily augments labor rather than replaces it; displacement is concentrated in narrow task categories and partially offset by new hiring and productivity gains.
Middle automation	3-7 percentage pts.	3-6 percent	$160-$375 billion	Roughly consistent with the cumulative decline in US labor share since the early 1980s.	AI displaces portions of routine cognitive and professional work, while new jobs emerge more slowly and with lower labor intensity.
High automation	8-15 percentage pts.	7-13 percent	$425-$785 billion	Assumes AI-driven automation materially exceeds prior the computer and internet revolution/transition-era labor-share declines by extending automation into higher-value cognitive and professional work.	AI substitutes broadly across services and knowledge work, shifting economic value toward capital, compute infrastructure, semiconductors and energy systems while materially weakening payroll and wage tax bases.

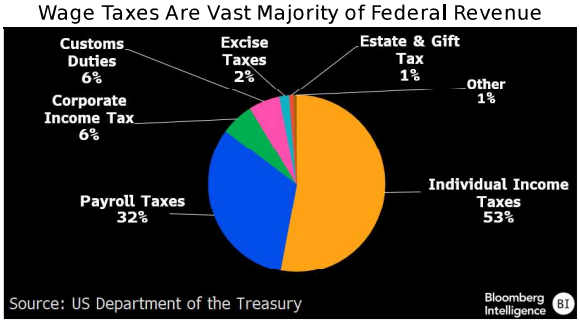
Source: Bloomberg Intelligence

Bloomberg Intelligence

4. TEST-Tax Revenue Will Shift From Labor to Compute

The tax base emerging from an AI-driven economy is increasingly tied to AI infrastructure rather than labor. As labor's role declines, the tax burden is unlikely to be evenly distributed across the economy. Firms linked to compute capacity, semiconductors, industrial power and data transmission may face growing tax exposure as governments adapt to a more automated economy. This includes chipmakers such as AMD and Intel, industrial infrastructure providers like Vertiv and Schneider Electric, and utilities benefiting from rising electricity demand. Together, these sectors are positioned to bear a growing share of the tax burden as the US adapts to a more automated, AI-inflected economy. By contrast, firms able to monetize AI without owning significant physical infrastructure may face relatively less direct tax pressure. (05/27/26)

Wage Taxes Are Vast Majority of Federal Revenue

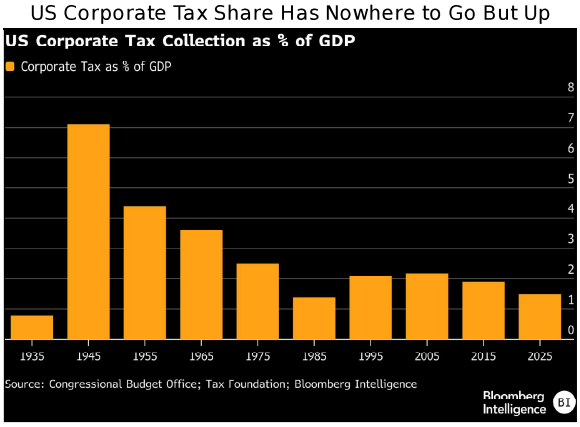


5. TEST-The US May Need a New Tax Model

Declining wage-based tax revenues will likely force the US to adjust existing taxes and explore new ones. Policymakers may increase taxes on corporate profits while scaling back incentives for capital-intensive infrastructure such as data centers. Greater reliance on energy and excise taxes could shift attention toward the physical inputs powering AI, including electricity use, semiconductor capacity and data infrastructure. Over time, this may lead to new levies tied to data-center scale, power usage and processing activity.

Though ideas such as "robot taxes" face practical challenges, the broader direction is clear: the US is likely to move away from taxing labor and toward taxing the infrastructure and industrial activity behind AI. (05/27/26)

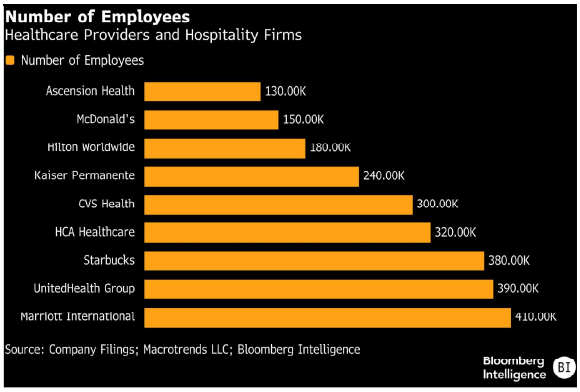
US Corporate Tax Share Has Nowhere to Go But Up



6. TEST-Tax Shift May Favor Labor-Intensive Sectors

Tax changes tied to AI may favor industries that continue to rely heavily on labor. Healthcare providers such as HCA Healthcare and UnitedHealth, hospitality firms like Marriott and Hilton, and other labor-intensive service businesses remain important sources of payroll and income tax revenue, making them fiscally valuable even in a more automated economy. Firms that use AI to enhance productivity rather than reduce headcount, including Accenture, Booz Allen Hamilton, JPMorgan Chase, Goldman Sachs, Salesforce and ServiceNow, may also benefit. (05/27/26)

Marriott, UnitedHealth Have the Most Workers

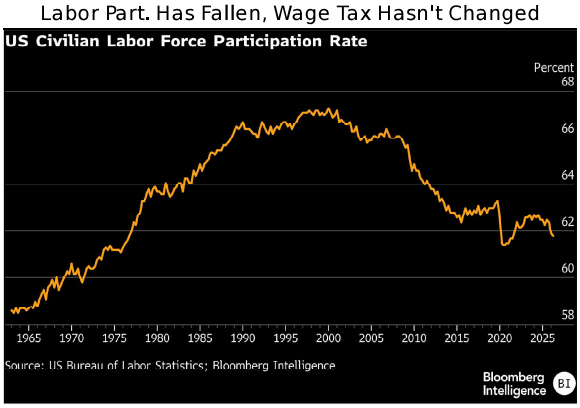


7. TEST-US Tax System May Not Revert After AI Disruption

Some of these dynamics may prove temporary as Americans reskill for the new AI work environment, but the US tax system is unlikely to revert to its pre-AI structure anytime soon. Historical evidence shows technological transitions are slow and driven by generational change. Adjustment occurs gradually as new workers enter with different skills, suggesting any recovery in labor income and related tax revenue could take decades, potentially as long as half a century. Tax systems also tend to persist once new revenue sources are established. As a result, even if labor markets stabilize, the more likely outcome is not a return to labor-dominated taxation but a more diversified system in

which capital-, infrastructure- and energy-based taxes play a larger role alongside a partially restored labor base. (05/27/26)

Labor Part. Has Fallen, Wage Tax Hasn't Changed



Data Centers Targeted

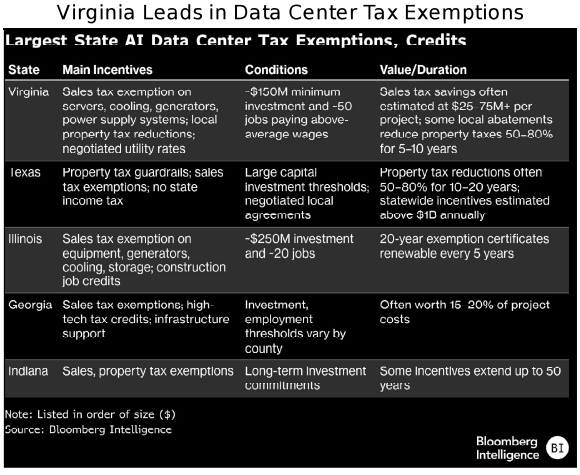
8. TEST-AI Poised to Push States Toward Infrastructure Taxes

State and local tax systems rely heavily on wages, property and consumption, but AI may force a significant tax base realignment. As automation reduces employment intensity, income and sales tax revenues face pressure, infrastructure-heavy companies like data centers, hyperscalers and utilities, will become more central to state and municipal tax systems and policy. (05/27/26)

9. TEST-Infrastructure Firms Face Rising SALT Risk

AI investment favors infrastructure-heavy industries while generating fewer workers and less wage-driven tax revenue. Data center operators such as Equinix and Digital Realty, hyperscalers including Amazon, Microsoft and Google, and utilities serving AI hubs may face growing tax exposure as states seek new revenue sources. States such as Texas and Virginia are offering major incentives to attract AI facilities, but limited employment growth may weaken income and sales tax collections over time. As a result, policymakers may increasingly rely on property taxes, infrastructure levies and energy-related charges tied to data centers and electricity demand. (05/27/26)

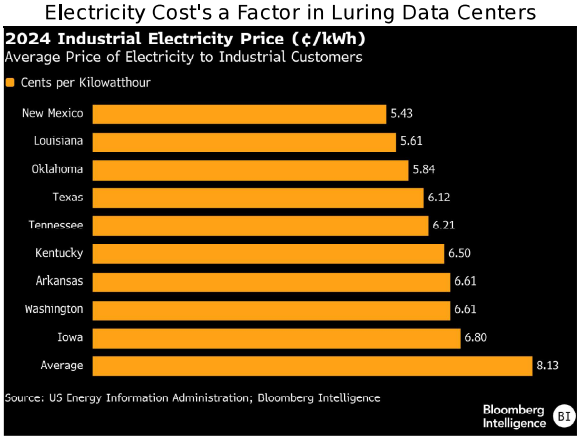
Virginia Leads in Data Center Tax Exemptions



10. TEST-State Taxes Shift Toward Power and Data

As AI shifts economic activity away from labor and toward data centers, semiconductors and electricity demand, state tax systems are likely to evolve in ways that materially change corporate tax exposure. Businesses tied to AI infrastructure stand to benefit most, including utilities such as NextEra and Dominion, chipmakers like Intel and AMD, and industrial suppliers including Vertiv and Eaton. Rising investment in power generation, cooling and data centers could drive favorable tax treatment and incentives for infrastructure-heavy firms. By contrast, labor- and consumer-dependent sectors such as retail, hospitality and commercial real estate may face growing pressure as payroll- and consumption-based tax revenues weaken. (05/27/26)

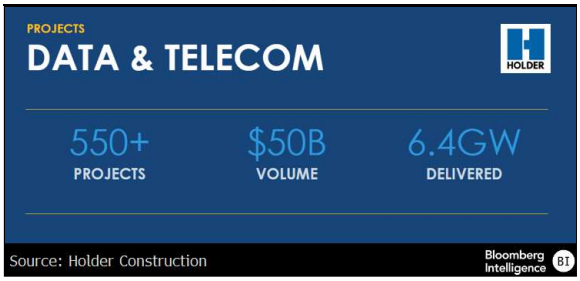
Electricity Cost's a Factor in Luring Data Centers



11. TEST-Infrastructure Gains May Not Expand Taxes

AI-driven infrastructure investment is creating clear winners across construction, power and industrial equipment, even if the resulting tax base proves less durable than many governments expect. Hyperscale contractors such as Turner, Holder, DPR and Mortenson, along with power and cooling suppliers including Vertiv, Eaton, Cummins and Schneider Electric, stand to benefit from rising demand for data centers and energy systems. But much of the spending is tied to upfront construction and equipment deployment rather than sustained payroll growth. Labor-intensive sectors such as retail, hospitality and commercial real estate may remain under pressure as employment intensity and wage growth slow. (05/27/26)

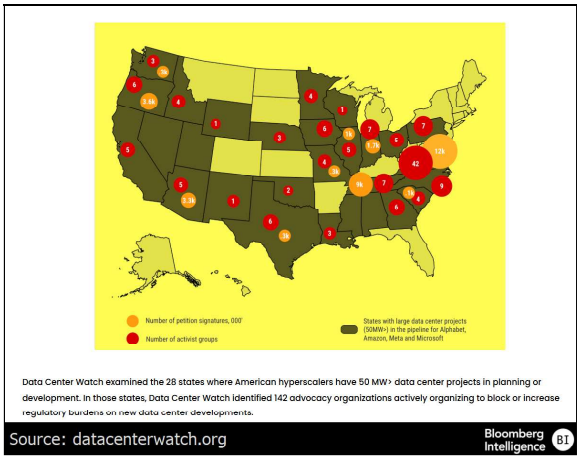
Holder is One of the Biggest Data Center Builders



12. TEST-Data Centers Face Growing Tax Pressure

States and cities are beginning to shift more fiscal pressure onto AI infrastructure operators as data center growth strains electricity, land and water resources. Lawmakers in New Jersey, Illinois, Minnesota, New York, Virginia and Georgia are considering higher electricity fees and limits on tax abatements that could raise operating costs for firms such as CyrusOne, QTS, CoreSite and Switch. Policymakers are also questioning whether large data centers generate enough long-term economic value to justify generous incentives. The trend suggests governments are increasingly targeting infrastructure, energy usage and other location-specific inputs tied to AI activity. (05/27/26)

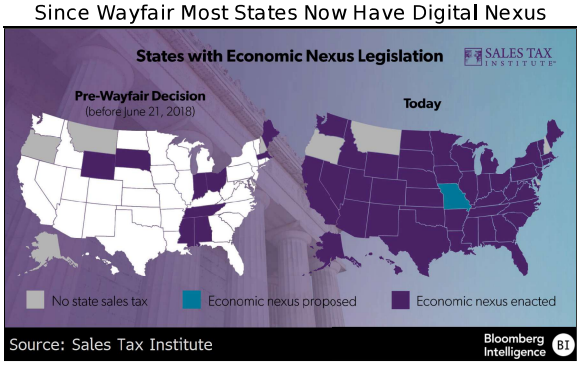
There's Been Pushback on Data Center Aid



13. TEST-Wayfair Rules Could Expand AI Tax Exposure

The expansion of sales tax nexus after the Wayfair decision offers a template for how states may broaden taxation of AI-related revenue. By taxing companies based on economic activity rather than physical presence, states gained new authority to reach digital businesses operating across state lines. Similar proposals aimed at AI and digital services revenue could increase tax exposure for firms such as Snowflake, Databricks, Adobe and Workday, whose platforms generate substantial in-state usage despite limited physical infrastructure. The shift suggests nexus and value-creation disputes are increasingly moving into state-level corporate taxation. (05/27/26)

Since Wayfair Most States Now Have Digital Nexus



OECD Pillars Miss AI

14. TEST-AI Is Outgrowing the Foundations of Global Tax Rules

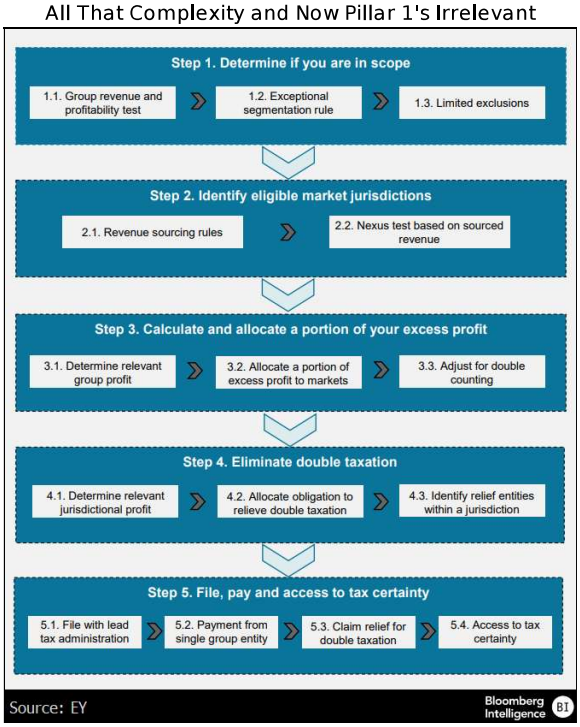
AI is shifting global tax bases away from labor and toward compute, infrastructure and energy, increasing exposure for firms such as Nvidia, Intel and cloud providers tied to physical capacity. Yet

the Organisation for Economic Co-operation and Development's Pillars 1 and 2 remain rooted in older concepts of profit allocation and value creation. (05/27/26)

15. TEST-Pillar 1 May Miss How AI Creates Taxable Value

Pillar 1 and related digital-tax frameworks were designed to reallocate revenue based on user participation and market jurisdictions. That model fits social media and marketplace platforms, but less so AI, where value is increasingly driven by models, training data and large-scale computing infrastructure. This weakens the case for allocating taxing rights primarily to large consumer markets, as Pillar 1 suggests. Enterprise software and AI platform providers such as Salesforce, ServiceNow, Snowflake and Databricks generate substantial value with limited dependence on local users. As a result, countries relying on Pillar 1-style user-based allocation frameworks may see their tax base erode over time. (05/27/26)

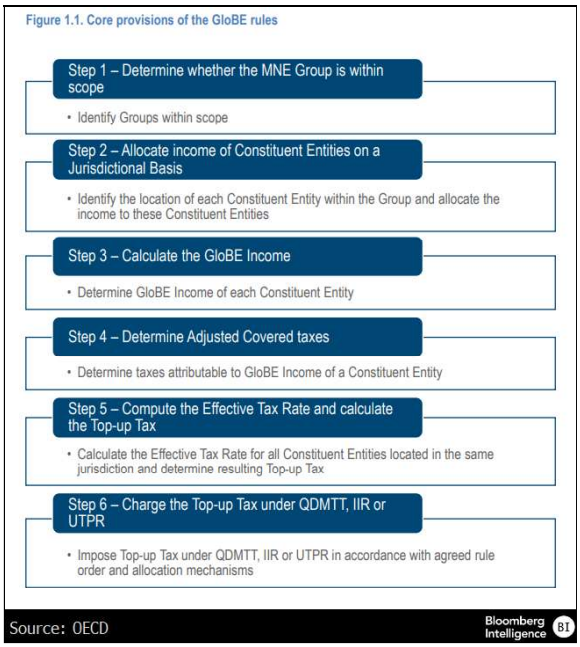
All That Complexity and Now Pillar 1's Irrelevant



16. TEST-Global Minimum Tax Misses AI's Physical Footprint

Pillar 2 sets a global minimum tax and limits profit shifting, particularly for highly profitable firms. However, it does little to determine where tax is paid or to capture the growing role of energy and industrial infrastructure in AI. As activity becomes more capital- and processing-intensive, gaps emerge between where profits are taxed and where value is created. This is especially relevant for semiconductor firms such as Nvidia, AMD, Intel and Broadcom, as well as cloud and infrastructure providers whose value depends on concentrated data centers, chip production and power demand rather than broad local operations. Pillar 2 protects the level of taxation, but it may not align with the physical and energy inputs increasingly driving economic activity. (05/27/26)

Pillar 2's No Peach, But We're Stuck With It



17. TEST-Tax Rights Shift Toward AI Infrastructure and Power

In an AI economy, taxing rights increasingly depend on capturing revenue tied to physical capacity, electricity use and compute infrastructure rather than users or employees. This places firms such as Nvidia, AMD, Intel, Vertiv, Eaton and utilities like NextEra Energy and Dominion Energy closer to the emerging tax base, while asset-light software companies such as Salesforce, ServiceNow and Intuit may remain less exposed. Data-center operators and telecom providers also face growing tax exposure as governments target energy use and infrastructure footprints. Yet current international rules do not always view servers or data centers as sufficient to trigger taxation, exposing a widening gap between legal nexus and where economic activity occurs. (05/27/26)

Global Tax Trigger Model Misses AI Revenue

18. TEST-Unilateral Taxes May Target AI Infrastructure Next

In the near term, cloud and SaaS tax models will likely be applied to AI transactions, reflecting how AI is currently delivered. However, as AI becomes more dependent on semiconductor capacity, large-scale data centers and electricity demand, these frameworks may no longer align with where value is created. If multilateral rules do not adapt, countries are likely to act unilaterally through data-center taxes, energy levies and infrastructure fees, echoing earlier digital services taxes. This could concentrate tax burdens on infrastructure- and hardware-linked firms, including semiconductor companies like AMD, Broadcom and Intel, as well as AI platform providers like Snowflake and Databricks. The result could be a reordering of taxing rights and renewed cross-border tension over how AI activity is taxed. (05/27/26)

Statement

"It is inappropriate to make the attribution of taxable profit dependent on the physical presence of personnel. This is inconsistent and therefore causes uncertainty. Also, making the physical location of human bodies a determining factor creates inflexibility. After all, technology allows personnel to work at different locations. Further, this reliance on technology makes the OECD's interpretation nonneutral. As cloud computing [and the provision of artificial intelligence] is a manifestation of automation and remote control, it serves as a magnifying glass for problems at a wider level beyond the confines of cloud computing taxation."

Alexander Weisser - International Taxation of Cloud Computing
University of Geneva

Quote located on page 519, click to view entire statement

Compute Becomes the Tax Base

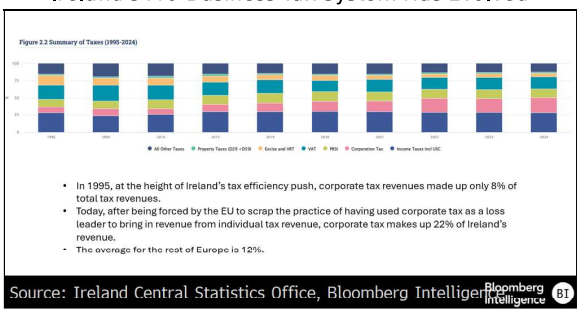
19. TEST-AI Turns Energy and Infrastructure Into Tax Battlegrounds

Following the AI revolution, countries may shift from competing for jobs to competing for AI infrastructure, mirroring changes already emerging at the US state tax level. Data centers, electricity systems and semiconductor supply chains attract investment but support fewer workers, weakening traditional tax bases and tying future tax policy more closely to industrial infrastructure and power demand. (05/27/26)

20. TEST-Tax Focus May Shift From Jobs to Infrastructure

Governments have historically competed for jobs at the expense of business tax revenue, but AI may shift that competition toward infrastructure investment instead. Data centers tied to firms such as Amazon, Microsoft and Google require enormous capital spending while employing relatively few workers, limiting the long-term payroll and income tax base typically associated with large corporate projects. Countries offering tax abatements and incentives to attract AI infrastructure may secure investment and construction activity, but the fiscal payoff could prove weaker than for labor-intensive industries, raising questions about the long-term return on state support for AI expansion. (05/27/26)

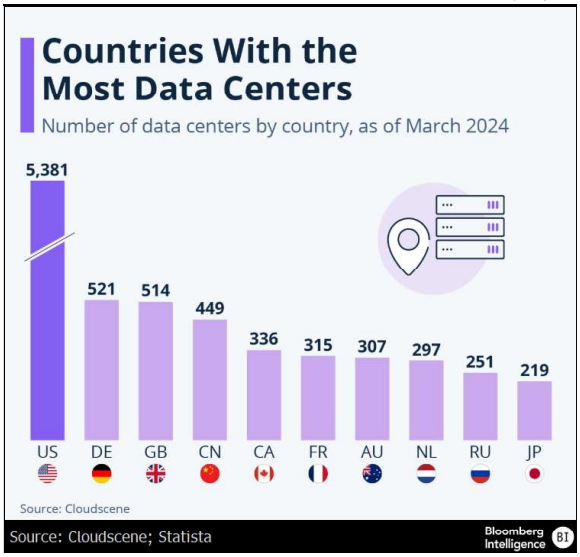
Ireland's Pro-Business Tax System Has Evolved



21. TEST-Electricity Demand Turns Into a New Tax Lever

AI infrastructure is highly energy-intensive, making electricity consumption a central economic and fiscal variable. As demand for power rises, utilities such as NextEra Energy and Duke Energy benefit from higher usage, while energy-rich countries (Canada, UAE) gain importance as hosts for data centers. At the same time, governments are likely to treat energy consumption as a proxy for AI activity, using higher electricity taxes, carbon pricing or targeted levies on large users to recapture revenue lost from labor. This effectively shifts part of the tax burden onto compute-intensive firms, particularly hyperscalers such as Microsoft, Amazon and Alphabet, as well as data center operators like Equinix and Digital Realty, through higher, location-dependent operating costs tied directly to power usage. (05/27/26)

US Has Most Data Centers, But China is Catching Up

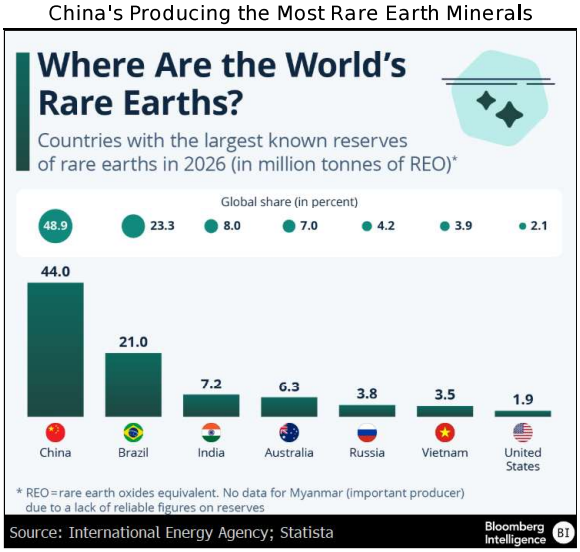


22. TEST-Critical Minerals Become a New AI Tax Base

Beyond energy, AI infrastructure depends on semiconductors and minerals such as copper, lithium and rare earths, creating a second, upstream tax base. Many of these resources are concentrated in a small number of countries and are subject to mining taxes, export restrictions and industrial subsidies. As demand grows, however, resource-rich countries such as Brazil, Chile and China may seek to capture more value through higher extraction taxes, incentives and supply controls. This could increase fiscal pressure across the AI supply chain, affecting chipmakers as well as materials

producers like Freeport-McMoRan, Albemarle and MP Materials. As a result, AI's tax footprint may extend beyond digital services and into the physical resources that support the industry. (05/27/26)

China's Producing the Most Rare Earth Minerals



23. TEST-Tax Competition Turns to Power and Compute

Global tax competition may increasingly center on AI infrastructure, energy capacity and industrial investment rather than attracting workers and corporate headquarters. As governments compete to secure data centers, semiconductor production and electricity supply, they may also seek to recapture foregone revenue through infrastructure- and energy-based taxes. That shift could increase long-term tax exposure for semiconductor firms such as Intel and AMD, utilities including Dominion and NextEra and infrastructure suppliers like Vertiv and Eaton, whose businesses depend heavily on data centers, chip manufacturing and rising electricity demand. (05/27/26)

Largest Global Semiconductor Makers

Largest Semiconductor Manufacturers
Market Cap (USD)

Company	Role	Market Cap ($)
Nvidia	AI GPUs / chip design	5.5 trillion
Broadcom	Makes networking, communcation chips	2.0 trillion
TSMC	Manufactures chips	1.9 trillion
Samsung Electronics	Makes memory chips for AI	1.1 trillion
Micron	Makes memory chips for AI	830 billion
AMD	AI GPUs / chip design	703 billion
ASML	Makes machines that make chips	590 billion
Intel	Traditional PC/server chip giant	542 billion
Lam Research	Makes semiconductor factory tools	370 billion

Source: Bloomberg Intelligence
Bloomberg Intelligence

To contact the analyst for this research:

Andrew Silverman at asilverman38@bloomberg.net