Voice of the CFO

A recurring conversation with CFOs on finance-related issues

July 2025

CFOs Adapt to New Legislation and Shifts in Guidance and Forecasting

In our conversations, we highlight key issues influencing Chief Financial Officers (CFOs), including the recent tax and spending bill signed into law, guidance trends, evolving forecasting practices, and challenges in executive compensation given market uncertainty. The reconciliation bill introduces significant changes that impact corporations, such as a reform of the taxation of cross border income, permanent deductibility of R&E expenditures, and permanent 100% bonus depreciation for eligible assets. CFOs are also adapting their guidance forecasting practices amid market volatility. Some are embracing the trend toward issuing no guidance while others are leveraging AI for more accurate forecasts. Executive compensation remains a complex issue, requiring flexibility and strategic planning to align with company goals and financial objectives. As CFOs navigate these challenges, they must collaborate with other leaders, especially the CEO, and embrace agile financial management and adapt to the ever-changing business environment.

On the CFO agenda

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Editor's note: The insights presented here reflect the perspective of KPMG on tax and trade reform as of mid-July. As legislative and regulatory developments continue to evolve, our views may change. For the most current commentary and analysis, please visit Policy in Motion and Federal agenda tax insights.

Legislative update

Tax and spending bill signed into law

President Trump signed the new tax and spending bill into law on July 4th. Beyond the headlines, there should be a sense of optimism for CFOs and Corporate America.

"If the different interest groups were drawing straws, Corporate America certainly didn't get the shortest," remarked John Gimigliano, KPMG Principal, Washington National Tax. "There were definitely more winners than losers among corporates."

International Taxation

The most dramatic changes relate to the taxation of cross border income. Tax rates on GILTI (Global Intangible Low Tax Income) and FDII (Foreign Derived Intangible Income) increased but other structural changes were made in those provisions to create a new set of winners and losers. On net,there is for many companies a new advantage to locating activity and intellectual property in the US. Companies are already busy modeling these new provisions to determine whether there is a benefit from restructuring.

Bonus Depreciation

The bill makes 100% bonus depreciation permanent for eligible assets acquired after January 19, 2025. This provision allows CFOs to accelerate tax deductions for qualifying expenditures.

Tax on Foreign-Headquartered Multinationals (Section 899)

A new punitive tax on foreign headquartered multinationals was removed from the bill at the last moment. Section 899 would have allowed the federal government to impose taxes on foreign-parented companies and investors from countries judged as charging "unfair foreign taxes" on U.S. companies. The provision was removed from the Senate bill following an agreement with other G7 countries regarding the tax.

Other significant changes include:

- Reinstatement and permanent extension of expensing for research and development costs performed in the U.S.
- Permanent extension of the Section 199A deduction for passthrough business income
- Renewal and reform of the Opportunity Zone program
- Temporary increase of the $10,000 cap on the state and local tax deduction to $40,000, withno changes to the treatment of passthrough entity taxes.

"Lobbying by taxpayers and trade associations may have prevented a worst-case scenario of this bill. But deleting tax increases came at the expense of a higher deficit which might have monetary consequences down the line."

—John Gimigliano, KPMG Principal, Washington National Tax.

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Guidance/Forecasting

From no guidance to leveraging AI for forecasts

Given market volatility, CFOs are retooling their guidance and forecasting practices. The impact of tariffs and consumer health are major concerns with some companies requesting forecast ranges rather than single numbers. The uncertainty has led some CFOs to go to the board in January with a budget and by February 1st, the budget is useless due to new data coming in.

Several CFOs have suspended or reduced guidance due to rapidly changing conditions and the difficulty of accurately predicting future performance.

"Issuing guidance caused a lot of debate and a big leap," remarked a CFO with an insurance company. It's freeing not resuming guidance, and I couldn't be happier."

A common theme is focusing on business drivers or results instead. For example, retail companies report sales monthly or even daily while analysts track quarterly. Given these current sales reports, there is less emphasis on providing guidance. A retail CFO noted: "we might drop a few breadcrumbs for the analyst community."

CFOs said they provide individual analysts with clarification about outlier earnings or major industry events like the insurance impact from California wildfires. One CFO put it this way. "Our investor relations team meets with analysts over their models that show assumptions that are unreasonable or unrealistic."

Despite the economic uncertainty and forgoing guidance, some companies are using advanced analytics and POS data to improve forecasting accuracy. A restaurant chain CFO leverages reporting and AI to deliver more accurate short, medium, and long-term forecasts.

"We have different forecasting tools based on receipt level data from all our locations and received by the minute. We then layer on our assumptions to forecast the month, the year, and ten years out."

Companies of all sizes, including analysts, are starting to leverage AI for forecasting.

"Analysts today have better AI models and improved forecasting capabilities," said Sanjay Sehgal, KPMG Principal, Advisory Head of Markets. That's something CFOs should be aware of and prepared for."

The agentic AI period is rapidly approaching. According to the most recent KPMG AI Quarterly Pulse Survey, over half of organizations are exploring the use of AI agents and another 37 percent are piloting AI agents.

> "Not issuing guidance is understandable. Not using AI for forecasting is unfathomable."
>
> —Sanjay Sehgal, KPMG Principal, Advisory Head of Markets

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Executive compensation

Flexibility and planning required

How does market volatility and the lack of guidance influence the CFO's role in executive compensation? A financial services company CFO expressed the dilemma that many CFOs are facing.

"Our forecast calls for a range outcomes, so we can reorient operations as information comes in. I have yet to come across anyone who can articulate a link between that and executive compensation."

Another CFO brought up a key issue with executive compensation that others may not have thoughtabout. "There's limited flexibility without drawing undue attention to it. The bigger challenge is just trying to forecast."

As leaders in financial strategy, CFOs must ensure that executive compensation structures align with company goals and effectively incentivize performance, balancing the demands of stakeholders and financial prudence. When compensation issues arise, the recommended approach is to initiate dialogue with the CEO. If situations remain unresolved, CFOs should consult with the head of HR and the general counsel before engaging with key board figures such as the audit chair or compensation committee chair.

Executive compensation adds another front burner issue for CFOs, along with economic uncertainty, tariffs, geopolitics, interest rates, and recession risks. As demands intensify, CFOs must apply strategic thinking and refine their approach to executive compensation, ensuring alignment with evolving regulatory landscapes and financial objectives.

One CFO contrasted the experience from a previous organization that tied executive compensation to performance versus his company now that doesn't require micro-measuring every metric.

"It's cash salary, bonus, and restricted stock vested over five years. It takes the sting out of the arguments about performance metrics and makes executive compensation very simple."

For CFOs, the goal is to build a degree of flexibility in planning and strengthen ties with the CEO. There are just too many variables that could change the calculus. The first conversation should be with the CEO with healthy respect given to the chain of command and reporting lines to the board. CFOs don't always have to solve the problem as much as bring it up as an issue that needs solving. The art of delegation frees CFOs up to solve other challenges.

"Executive compensation calls for flexibility in planning."

—Financial Services CFO

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Key considerations

- Form a cross-functional tax team
- Improve forecasting with AI
- Embrace agile financial management

Additional resources

Capitol Hill Weekly

TaxNewsFlash

6 essential questions finance leaders are asking about data and analytics

Industry use cases for intelligent forecasting

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