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Disclosure Trends From the 2025 Reporting Season

Background

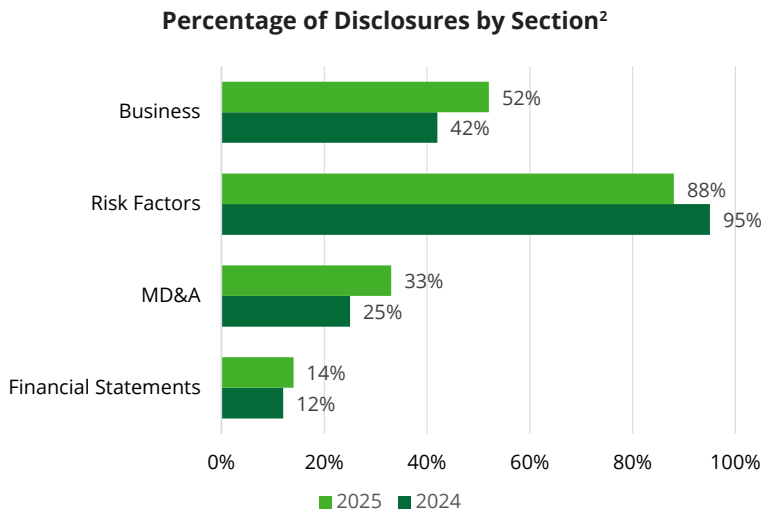
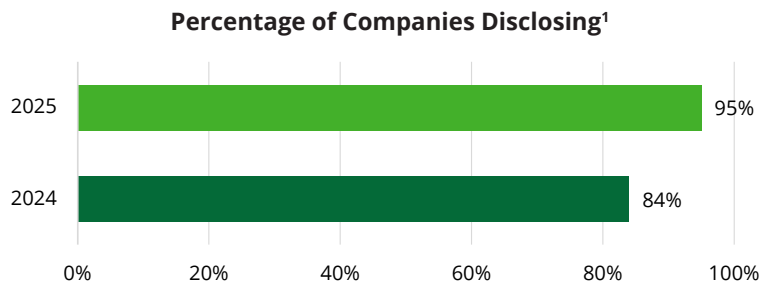
The global business landscape continues to undergo rapid and dynamic change. Alongside evolving regulations, ongoing macroeconomic and trade realignments, and heightened geopolitical uncertainty, advances in generative artificial intelligence (AI) continue to reshape the business world. Amid such complexity and ambiguity, high-quality, transparent financial reporting is essential for communicating to investors how companies are responding to, and being influenced by, these broader global developments and trends.

We have examined how Fortune 500 companies have addressed various disclosures in their latest annual reports in light of these evolving themes. This *Financial Reporting Spotlight* offers insights into how companies have approached those disclosures and examines the [new income tax disclosures](#) required this year. While disclosures are most meaningful when tailored to a company's specific facts and circumstances, understanding broader trends may be informative.

Disclosure Trends

Artificial Intelligence

As AI becomes increasingly commonplace in business operations, registrants are providing more disclosures about the degree to which they have implemented, or intend to implement, AI in their activities. Registrants continue to frequently discuss AI, generative AI, and related topics in their risk factor disclosures and business sections. Companies also continue to describe how they are using, or plan to use, generative AI and to outline the related challenges, including risks associated with traditional operating models, shifts in operational and market dynamics, data privacy considerations, and impacts on the labor market.



Risk factor disclosures are increasingly addressing concrete legal and compliance considerations — for example, the costs and burdens of adhering to international (e.g., [EU Artificial Intelligence Act](#)), federal, and state requirements — along with the risk of regulatory penalties and the prospect of an increase in AI-enabled cyberattacks. We also continue to see risk factors addressing potential market disruption driven by AI as well as execution risk related to AI strategies. Companies are increasingly discussing their uses of and investments in AI in the business section and MD&A as well.

At the [2025 AICPA & CIMA Conference on Current SEC and PCAOB Developments](#), SEC Chairman Paul Atkins and SEC Chief Accountant Kurt Hohl stressed their focus on understanding the use of AI in financial reporting. They highlighted the importance of AI governance and discussed new risks associated with the use of AI, including the explainability of AI models and emerging fraud risks. At another recent conference, Heather Rosenberger, chief accountant in the SEC’s Division of Corporation Finance, highlighted the importance of transparent disclosures regarding AI and other emerging issues. She encouraged registrants to ensure that they have a basis for any claims that AI will improve their business and consider whether disclosure of corporate governance policies addressing AI would be warranted.

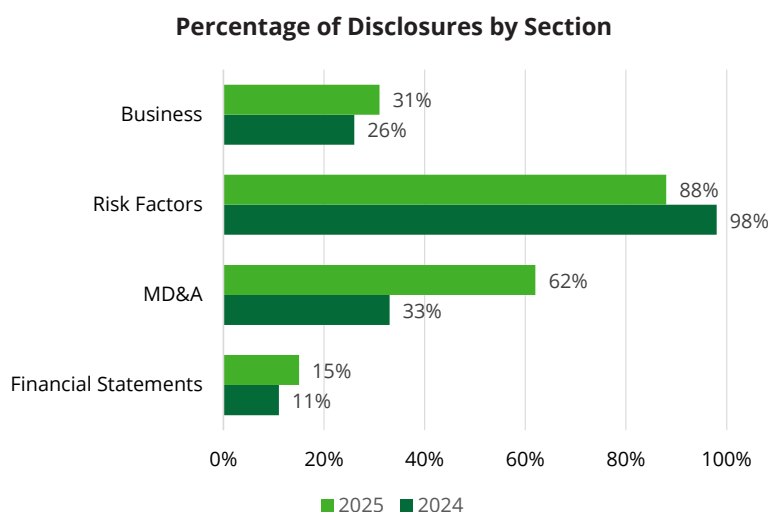
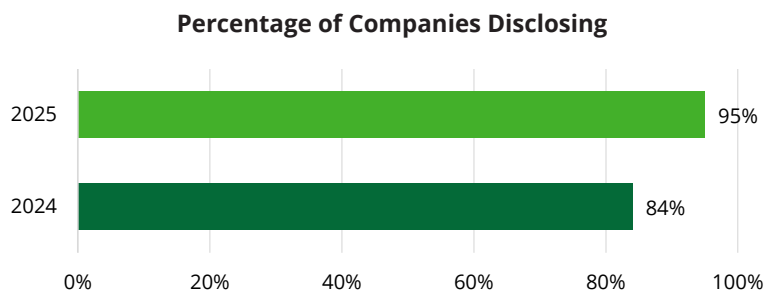
While we have observed companies quantifying their investment in AI or revenues related to AI, we have not observed non-GAAP adjustments for AI-related costs primarily because these investments are increasingly viewed as recurring and integral to companies’ ongoing operations and strategy.

¹ Hereafter, unless otherwise specified, “percentage of companies disclosing” refers to our comparison of a population of Fortune 500 companies’ Form 10-K filings between (1) March 4, 2025, to March 2, 2026 (“2025”), and (2) March 1, 2024, to March 3, 2025 (“2024”).

² “Percentage of disclosures by section” in the tables throughout this publication refers to our comparison of (1) the number of registrants in a population of Fortune 500 companies that discussed a given topic in a specific section of their 2025 Form 10-K (i.e., filings between March 4, 2025, and March 2, 2026) and their 2024 Form 10-K (i.e., March 1, 2024, to March 3, 2025) with (2) the total number of registrants that addressed that topic in their Form 10-K filings for each respective period. We based the comparison on a search of keywords related to the topic being discussed in each section. If registrants discussed a topic in multiple annual report sections, the total percentages for that topic may exceed 100 percent.

Global Trade

While tariffs have long been a feature of the global economy, their visibility and impact have risen markedly in recent months amid rapid rate increases and evolving trade patterns. New or revised import duties can materially reshape cost structures, disrupt supply chains, and introduce fresh operational and compliance challenges, all of which can carry significant accounting and financial reporting consequences. Understanding the impacts of tariffs is crucial for maintaining accurate financial reporting and effective business management in this evolving trade environment.



Since February 2025, President Trump has issued executive orders imposing tariffs on imports from several countries, with varying rates under the International Emergency Economic Powers Act (IEEPA). A group of states and small businesses sued, arguing that the president lacked authority under the IEEPA to impose broad tariffs. In May 2025, lower courts ruled for the plaintiffs in two cases, and those rulings were upheld on appeal. The administration sought expedited Supreme Court review in September 2025; the Court heard arguments in November 2025 and, on February 20, 2026, ruled 6–3 that the IEEPA does not authorize the president to impose tariffs.

Approximately 25 percent of the companies in our population filed their annual report after the Court ruled, with approximately 15 percent of that group disclosing the court ruling. We expect additional disclosures in 2026 quarterly reports.

Companies continue to discuss trade matters primarily in risk factors, but in the current year, we saw nearly double the number of companies discussing tariffs in MD&A given the implementation of IEEPA tariffs earlier this year. At the [2025 AICPA & CIMA Conference on Current SEC and PCAOB Developments](#), Ms. Rosenberger provided examples of disclosures that registrants may consider providing in MD&A, such as:

- The magnitude of the risk to which the registrant’s business is exposed.
- The registrant’s ability to mitigate the impacts of that risk.

- The registrant’s ability to recover from the negative effects of those impacts (e.g., increase prices in response to tariffs).
- The effects on profitability, financial condition, and liquidity.
- Actual or potential material impairments, credit losses, or other expenses.
- Known trends or uncertainties (see [paragraph 9240.1](#) of the FRM).

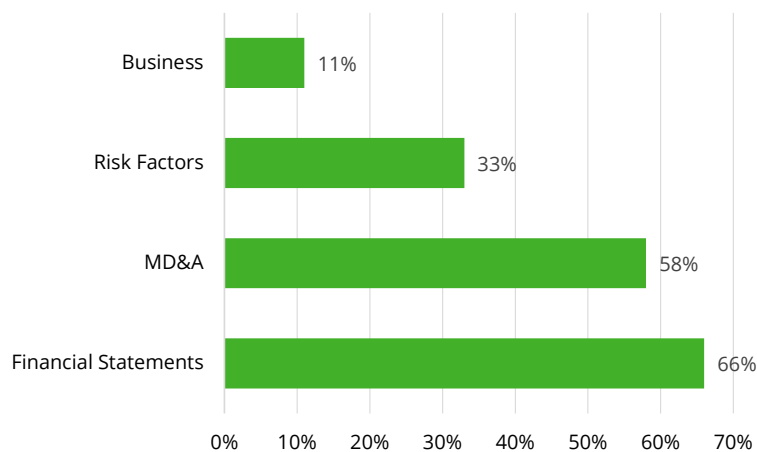
We saw many companies quantify the impact of tariffs, and Ms. Rosenberger encouraged this approach at a recent conference, noting that since tariffs are typically recurring costs that are paid in cash and treated as operating expenses, non-GAAP adjustments for tariffs and related costs would most likely not be appropriate.

Income Taxes

One Big Beautiful Bill Act

On July 4, 2025, President Trump signed into law the [legislation](#) formally titled “An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14” (“the Act”) and commonly referred to as the One Big Beautiful Bill Act. The centerpiece of the bill is the extension of expiring — and in some cases expired — provisions of the 2017 Tax Cuts and Jobs Act (“2017 TCJA”). While many of the Act’s provisions focused on tax changes for individuals, the Act also adjusted a number of provisions affecting businesses that were similarly subject to sunsets, phase-outs, or phase-ins that would have taken effect in the absence of action by Congress or that have already taken effect.³ Of the Fortune 500 companies analyzed, 69 percent included disclosures related to the Act. Most disclosures described the provisions of the Act that had, or are expected to have, a material impact on the company. Others acknowledged the change in law while commenting that they did not expect the legislation to have a material impact on the entity’s results. We primarily saw disclosure in the financial statements and MD&A.

Percentage of Disclosures by Section

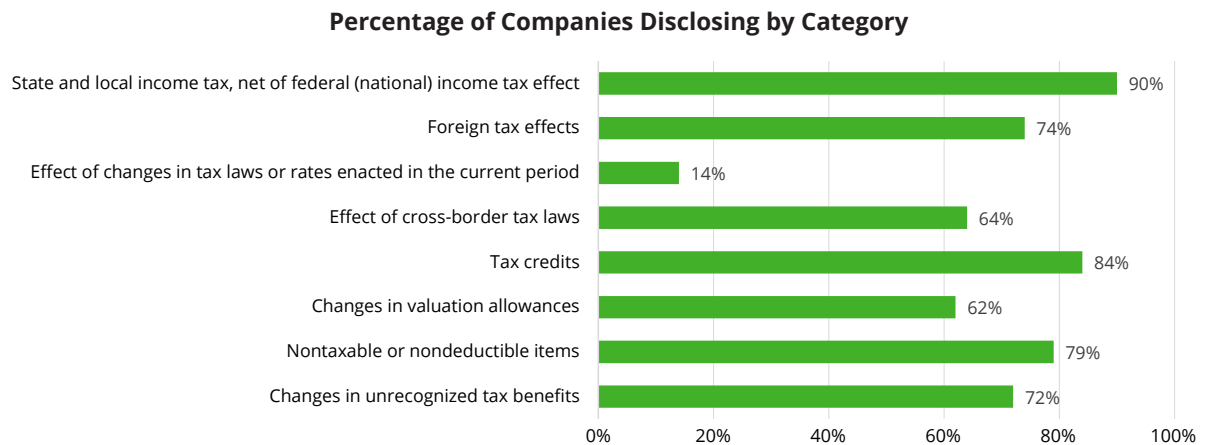


³ See Deloitte’s July 15, 2025, [Heads Up](#) for a discussion of the accounting considerations related to the Act.

Enhanced Income Tax Disclosures

ASU 2023-09⁴ added income tax disclosure requirements and became effective for all public business entities for fiscal years beginning after December 15, 2024; early adoption was permitted.⁵

The ASU requires public business entities to annually disclose an income tax rate reconciliation, using both percentages and reporting currency amounts, including eight specified categories. Further disaggregation is required for certain reconciling items that meet a quantitative threshold of 5 percent. While the revised standard lists eight categories, each category does not necessarily apply to each company. The chart below illustrates the number of filers that disclosed the respective categories within their income tax footnote.



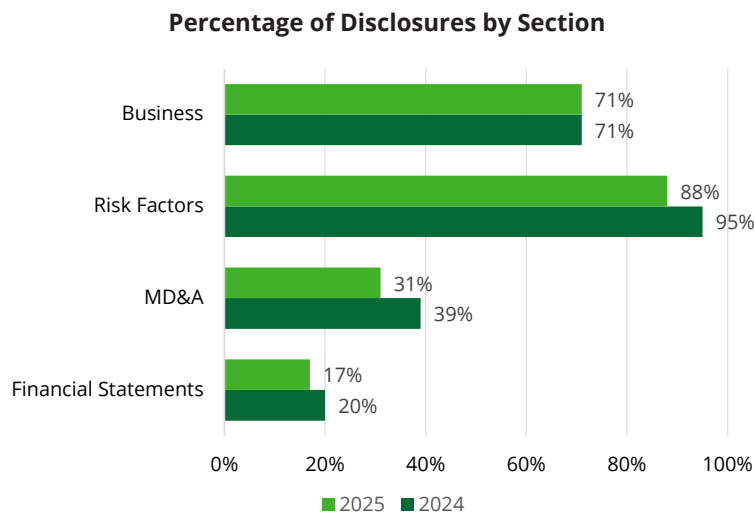
Multiple provisions of the ASU also dictate enhanced disclosure of the state and foreign jurisdictions in which the entity is subject to income tax. Within the rate reconciliation, companies are now required to “provide a qualitative description of the states and local jurisdictions that make up the majority (greater than 50 percent) of the effect of the state and local income tax category” and disaggregate the foreign tax effects category by jurisdiction and nature on the basis of a quantitative threshold of 5 percent. In addition, a company’s disclosure of income taxes paid must now be disaggregated by foreign, domestic, and state taxes, with further disaggregation by jurisdiction on the basis of a quantitative threshold of 5 percent “of total income taxes paid (net of refunds received).”

California was the most frequently mentioned state jurisdiction within income tax disclosures, with approximately 58 percent of companies referring to it, followed by Illinois (40 percent), New York (37 percent), and New Jersey (25 percent). The most frequently mentioned foreign jurisdictions were Canada (33 percent), United Kingdom (29 percent), Germany (21 percent), Mexico (19 percent), India (18 percent), and Brazil (18 percent). The business press has begun analyzing and reporting on these payment trends, and we expect that they could become an area of political focus as well.

⁴ FASB Accounting Standards Update (ASU) No. 2023-09, *Improvements to Income Tax Disclosures*.

⁵ We examined the adoption of ASU 2023-09 by Fortune 500 companies that have filed as of March 2, 2026, and whose fiscal years began on or after December 15, 2024. This represents approximately 70 percent of the Fortune 500; the remainder consists of non-calendar-year-end companies.

Sustainability



While regulatory requirements for sustainability disclosures are evolving, highlighted by the European Commission’s proposed [omnibus legislation](#), most registrants have continued to disclose sustainability matters in their annual reports under existing disclosure requirements, including the SEC’s 2010 [interpretive guidance](#) on climate-change disclosures. There has been a decline in references to specific climate regulations, resulting in less detailed discussion on the individual legislations (i.e., CSRD,⁶ ISSB,⁷ and California climate legislation). However, the number of registrants mentioning climate-related information has remained consistent compared with 2024 (96 percent in both years). “Risk Factors” continues to be the leading area of disclosure; the discussion has included the physical impacts, reputational risk, and regulatory risk of climate matters. Business section disclosures primarily addressed a registrant’s sustainability activities, including net zero or carbon neutral commitments. In MD&A, registrants discussed how climate matters might affect their financial condition, results of operations, and growth prospects.

Looking Ahead

The SEC encourages registrants to clearly disclose material risks, trends, and uncertainties related to the current environment. As the business landscape continues to evolve, registrants should continue to assess their disclosures and consider whether they still reflect their current circumstances. For example, the ongoing conflict and instability across parts of the Middle East, which escalated significantly since the beginning of March, have introduced significant uncertainties that may affect financial reporting for many entities, including those with and without direct operations in the region. A registrant should continue to address these and other emergent risk areas to provide investors with clear and concise insight into how the registrant is affected.

⁶ Corporate Sustainability Reporting Directive.

⁷ International Sustainability Standards Board.

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