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AI Might Render Income Taxation Untenable

by Ameek Ashok Ponda

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To the Editor:

I very much appreciated professor Mindy Herzfeld's recent article[1] and her incisive summary of the challenges that artificial intelligence poses to traditional norms of income taxation. Permit me to echo and elaborate on some of those themes in light of my own recent complementary reflections in *Daedalus*, the journal of the American Academy of Arts and Sciences.[2]

As I noted in the *Daedalus* piece, modern income and value added taxes are relatively recent constructs. They were designed for a different time and place, a world in which human capital and machine capital were perhaps less fungible. But AI may one day upend that architecture by competing so directly with human cognition and mobility that the income and consumption tax systems begin to discriminate — structurally and profoundly — against the human condition. For example, consider this asymmetry: Food, shelter, clothing, education, medicine, cosmetics, retirement, and funeral expenses are generally nondeductible under a broad-based income tax and nonexcludable under a broad-based consumption tax. Yet their machine cognates — electricity, commercial buildings, computer casings and shielding, operating systems and software upgrades, repairs, renovations, and decommissioning costs — are almost always deductible, depreciable, or excludable in income and consumption tax systems. This unlevel playing field in an age of AI is not a mere technical inconsistency; it is a philosophical rupture.

Thus, as professor Herzfeld summarizes, a possible challenge to current taxation norms is that AI may one day erode the returns to human labor and erode a nation's aggregate personal income tax (or consumption tax) base for that reason. A complementary view, the one that I articulated in *Daedalus*, is that AI may render the very foundations of income and consumption taxation untenable, and we may thus be forced to revisit older taxation paradigms. Professor Herzfeld's article is a timely and thoughtful contribution to this reckoning, and I hope it catalyzes further inquiry into what we tax, why we tax it, and how those answers may evolve in the age of AI. ■

Sincerely,

Ameek Ashok Ponda
Partner, Sullivan & Worcester LLP
Tax Analysts Board of Directors Chair
Boston
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[1] Herzfeld, "A Framework for Taxing AI," *Tax Notes Federal*, Oct. 6, 2025, p. 9.

[2] Ameek Ashok Ponda, "Back to the Future for Taxation," 154(3) *Daedalus* 30 (Summer 2025).