

# Technology industry: Top issues for 2024

## Transcript

**NARRATOR:** Welcome to the Industry Podcast series, where Grant Thornton shares information through an industry specific lens about the most important business issues of the day.

**ANDREA SCHULZ:** In the technology industry, 2024 will be an important year for deciding how your business will effectively incorporate generative AI capabilities.

I'm Andrea Schultz. I'm the National Managing Partner for the Technology, Media and Telecommunications industry at Grant Thornton, and here are some of the topics that you should be keeping in mind for the technology industry in 2024.

There's actually an underlying trend that many people aren't tracking. A lot of the focus around AI has been with the use cases, and more on the software side — but, underlying that, there's the hardware and infrastructure that needs to be used to train and ultimately operate these AI models. So, in 2024, I'm expecting — and we're starting to see this emerge now — a surge of companies that will be entering this space, whether they're existing hardware providers and chip providers or ones that are going to start venturing into the space. NVIDIA has really dominated it over the past year, and there are going to be a number of competitors that are going to go seek those profits.

With 2024, we're likely to see more developments in this area. A lot of that will be fueled by the CHIPS Act. With the CHIPS Act, there's both the funding that's available to companies and then also tax credits. So that, coupled with trying to gather market share from NVIDIA, will help drive that surge.

In 2023, we saw the capitalization of research and experimental costs being incorporated into many tax returns. And with that, they could no longer take these costs in the year incurred, and now are having to capitalize them and amortize them over five years. Well, that flipped a number of software and SaaS companies into a tax-paying position, so that is something that I would be tracking for 2024 — in terms of getting tech companies to get in front of a lot of the tax guidance. Coupled with that, we saw interest rate expense deduction limitations that took effect and then more enforcement from the IRS on transfer pricing.

Another trend for 2024 will relate to the interest rate environment and whether that stabilizes in the first half of the year or even perhaps if the Fed enacts some rate reductions. Many tech companies have been really facing challenges in raising capital over the past two years. That was due to the shift from the zero interest rate, or ZIRP, environment to the higher interest rates where capital has just been moved in other directions. With that, there was a stifling of M&A activity and also of course the IPO markets have effectively been closed.

So, for 2024, what we're ultimately watching out for is that with those interest rates, if they start to stabilize or go down, there could be an uptick in M&A activities through the first half of the year that we're expecting.

Also, with the changing interest rate environment, that will give us a great opportunity for the IPO window to open back up if we start to see interest rates going down and more capital shifting to the public markets ultimately and more interest in investing. The companies that do ultimately get to clear through the IPO window, once it does reopen, are going to look a lot different than what they did in 2021. There's now the investor expectation that tech companies will either have a proven path to profitability or be generating profits at the time of their IPO.

So, that's how the technology industry is shaping up for 2024, with plenty of opportunities to make real progress.

**NARRATOR:** Thanks for listening. Find out how Grant Thornton goes beyond expectations at [gt.com](https://gt.com).



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