Northeastern Advisors

INDUSTRY RESEARCH

U.S. ACCOUNTING, CPA & TAX · NAICS 541211 · 2026 EDITION

Accounting, CPA & Tax Practice Industry Report 2026

Private equity, AI, the talent and succession squeeze, and what accounting practices sell for, from sole-practitioner tax offices to platform-scale firms.

~$160B	85,322	1.95-2.90x	10 of 20
Annual revenue of U.S. CPA firms and tax practices (NEA estimate)	U.S. CPA firms, plus 131,212 tax preparation practices	Median SDE multiple, CPA firms under $5M of revenue	Largest U.S. CPA firms now backed by private equity

Prepared by **Moses Shmueli**, Managing Partner

November 2026

2026 ACCOUNTING, CPA & TAX INDUSTRY REPORT

Contents

	Executive Summary
	Northeastern Advisors Investment Perspectives
1	Industry Landscape
2	Demand Drivers & Service Mix
3	Practice Economics & Margins
4	The Talent & Succession Squeeze
5	AI and the Accounting Practice
6	Private Equity & Consolidation
7	The Owner's Exit Options
8	Valuation: Small Practices to Platforms
9	Value Drivers
10	Deal Structures & Financing
11	Buyer Due Diligence
12	Key Risks & Outlook
	Conclusion
FAQ	Frequently Asked Questions
	Related M&A Guidance

OVERVIEW

Executive Summary

Accounting is a two-speed M&A market: a deep pool of small practices changing hands between individual CPAs, and a private equity consolidation wave that has reached the top of the profession.

KEY TAKEAWAYS

- **A stable, fragmented market.** About 85,300 CPA firms and 131,200 tax preparation practices generate roughly $160 billion a year, with growth projected at about 1.1% annually.
- **Small practices trade at about 1x revenue.** Practices sold from 2021 to 2025 went for a median $425,000, an average 1.07x revenue and 2.23x seller's discretionary earnings. 2025 was the strongest year in the series.
- **Private equity now owns much of the top of the profession.** Half of the 20 largest U.S. CPA firms are PE-backed, and 2026 brought the Crowe, Eide Bailly and Grant Thornton/CBIZ transactions.
- **Value rises with size.** Median SDE multiples for CPA firms climb from 1.95x below $1M of revenue to 2.90x at $1M to $5M. Above roughly $750,000 of EBITDA, PE-backed buyers compete and multiples can reach the high 6s, while platform investments have been reported at about 2x revenue.
- **Talent and succession are the real deal drivers.** An aging owner base, a thin CPA pipeline and rising AI investment needs push owners toward a sale or combination.
- **AI is a margin story, not a headcount story.** AI tax research adoption nearly doubled in a year. Firms that pair it with fixed-fee pricing keep the gains.

Three forces are reshaping how accounting practices change hands. First, demographics: a large share of firm owners are at or near retirement, many without an internal successor, while the number of new CPAs entering the profession has fallen. Second, capital: since 2021, private equity has backed dozens of acquisition platforms that buy local and regional firms through an alternative practice structure, which separates the regulated audit practice from tax and advisory work. Third, technology: AI is compressing the time needed for tax research, return preparation, bookkeeping and audit testing, and the cost of keeping up is rising faster than many small firms can fund.

The result is a market with two distinct tiers. Below about $2 million of revenue, most practices still sell to individual CPAs and local firms at roughly one times revenue, often financed with SBA loans and seller notes. Above that threshold, PE-backed platforms compete for firms on adjusted EBITDA, with rollover equity and earnouts that can lift total value well above traditional rules of thumb, but with less cash at closing and more conditions attached. This report covers both tiers, and how owners can position for the one that fits their goals.

PERSPECTIVES

Northeastern Advisors Investment Perspectives

Where we see the strongest acquisition opportunities in accounting, and what separates practices that command premium terms.

Where we see opportunity

Client accounting services (CAS)	Outsourced bookkeeping, controller and fractional CFO practices with monthly retainers. Recurring, year-round revenue is what EBITDA buyers underwrite most comfortably, and these are among the most active add-on targets for PE-backed platforms in 2026.
Business tax practices with $1M to $5M of revenue	Firms serving closely held businesses and their owners, with documented processes and a second-generation manager. This band sits where individual buyers run out of financing and platforms begin to compete, which creates the most pricing tension.
Industry niche specialists	Practices focused on construction, nonprofits, real estate, dental and medical practices, or home care and other healthcare providers. Niche expertise supports higher fees and gives a platform a ready-made vertical.
Succession-driven regional firms	Multi-partner firms where retiring partners' capital accounts and deferred compensation exceed what remaining partners can fund. An outside combination solves a liability the firm cannot solve internally.
Tech-enabled tax and bookkeeping operators	Firms with standardized workflows, offshore or nearshore capacity and measurable throughput per employee, which both PE platforms and AI-native roll-ups are paying to acquire.

Characteristics of premium practices

- Recurring business clients, with no client above 10% to 15% of fees
- Year-round revenue from CAS and advisory, not just a tax season
- Normalized owner compensation and clean monthly financials
- Staff and client relationships that extend beyond the founder
- Fixed-fee or value pricing on repeatable work
- Documented workflows and current tax and practice software
- Clean peer review and no unresolved independence issues

Where we are cautious

- Sole-practitioner 1040 practices with a single owner doing the work
- Heavy seasonality, with most revenue in a few months
- Aging client bases where clients retire alongside the owner
- Attest-heavy firms whose audit clients may conflict with a PE structure
- Practices with deferred software and security investment
- Valuations that assume AI savings rather than demonstrate them

SECTION 1

Industry Landscape

1.1 Market Size & Structure

- **Industry scope:** Offices of CPAs (NAICS 541211), tax preparation services (541213) and other accounting services, including bookkeeping (541219)
- **Concentration:** the Big Four together hold about 15% of CPA firm revenue; the 50 largest firms account for just under half

BENCHMARK	CPA FIRMS (541211)	TAX PRACTICES (541213)
Businesses	85,322	131,212
Annual wages	$62.3B	$4.5B
Annual profit	$23.6B	$4.3B
Implied annual revenue (NEA estimate)	~$146B	~$14.5B
Average profit margin	16.2%	29.6%
Revenue per employee	$238,202	$53,932
Average employees per establishment	7.2	2
Average wages per employee	$101,960	$16,893
Annual growth, past	0.2%	2.9%
Annual growth, projected	1.1%	1.1%

Tax practice figures reflect a largely seasonal, part-time workforce, which explains the low wages and revenue per employee. Bookkeeping and other accounting services (NAICS 541219) are covered in the valuation data in Section 8.

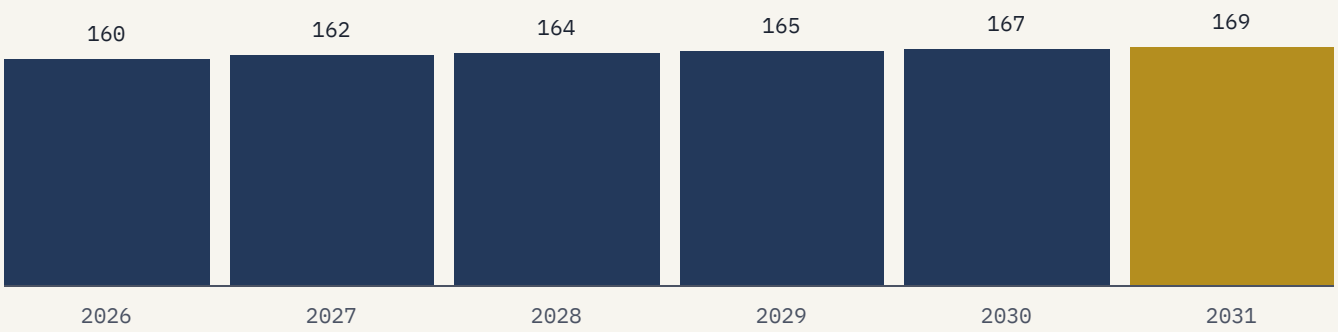
The two segments look very different. CPA firms are larger, year-round professional practices. Tax preparation is dominated by seasonal storefronts, franchise units and home-based preparers, alongside national chains. Within CPA firms, the profession has a barbell shape. At the top, the Big Four and a group of national firms with revenue in the billions serve public companies and large private businesses. At the bottom sit tens of thousands of sole practitioners and small partnerships. Most CPA offices have fewer than ten employees. The middle tier of regional firms, with roughly $5 million to $500 million of revenue, is where consolidation has been fastest, and it is the source of most platform add-ons.

CPA firm revenue has grown only about 0.2% a year, while the number of firms has been flat to slightly declining. In other words, the industry is already consolidating organically, as retiring owners fold their practices into larger firms.

1.2 Growth Outlook

Projected revenue of U.S. CPA firms and tax practices, $ billions

NEA projection from the 2026 revenue estimate at about 1.1% annual growth



Headline growth is modest, but the averages hide a mix shift. Traditional compliance work grows slowly and faces price pressure from software and automation, while advisory, outsourced accounting, technology consulting and specialty tax services grow faster and carry higher margins. Buyers pay for exposure to the second group.

SECTION 2

Demand Drivers & Service Mix

2.1 What Sustains Demand

- **Tax complexity:** frequent federal and state tax law changes, multistate filing obligations and planning around business transitions keep demand for professional tax help high, even as do-it-yourself software handles simple returns.
- **Small business formation:** each new business needs bookkeeping, payroll and tax support, and most owners outsource it.
- **The talent shortage at clients:** companies that cannot hire in-house accountants increasingly outsource controller, CFO and accounts payable and receivable work to firms.
- **Regulation and assurance:** lenders, investors, government programs and benefit plans require audits and reviews, which only licensed CPA firms can perform.
- **Wealth transfer:** aging business owners and high-net-worth families need estate, succession and transaction tax planning.

2.2 Service Mix and Recurring Revenue

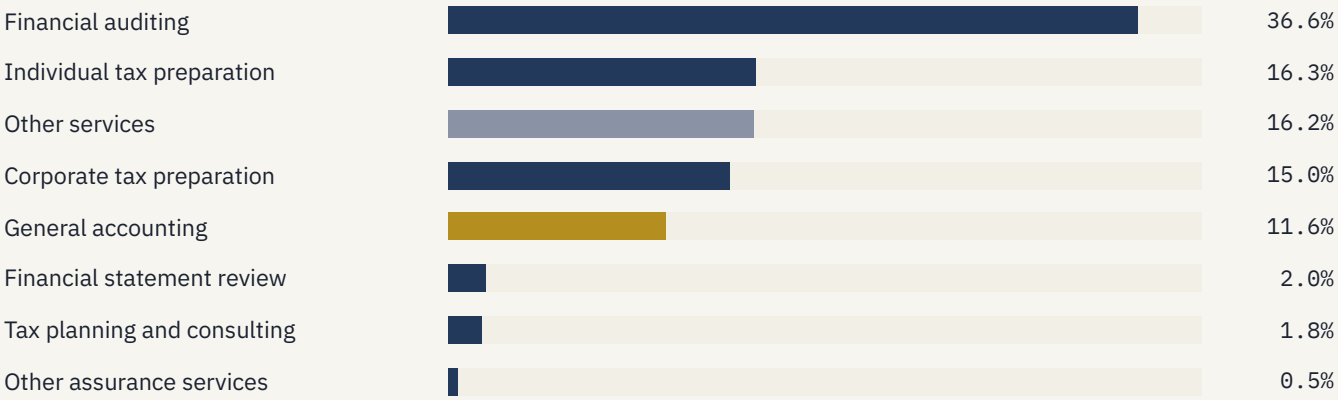
For valuation purposes, accounting revenue falls into three groups, each with different economics:

SERVICE LINE	REVENUE PATTERN	BUYER VIEW
Individual tax preparation	Annual, concentrated in the first four months of the year	Recurring but seasonal and price-sensitive; exposed to automation
Business tax and planning	Annual returns plus planning and projection work	Sticky relationships with business owners; strong cross-sell base
Client accounting services (CAS)	Monthly retainers, year-round	Most valued; supports EBITDA-based pricing
Audit and assurance	Annual engagements	Recurring and defensible, but requires a CPA-owned structure and creates independence constraints for PE owners
Advisory and consulting	Project-based, with some retained work	Highest margins; less predictable

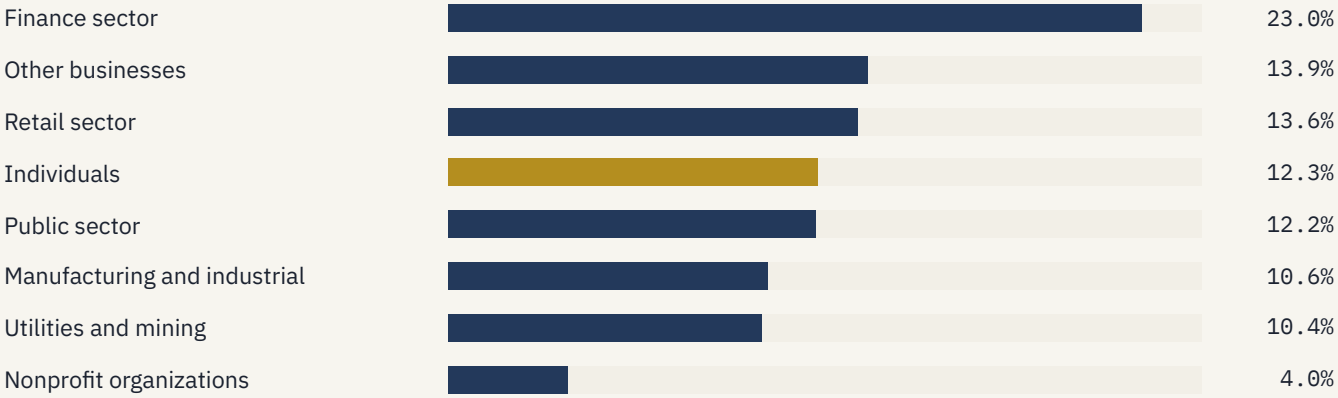
2.3 Where CPA Firm Revenue Comes From

CPA firm revenue by service

Share of industry revenue, NAICS 541211



CPA firm revenue by client type



Audit is the largest single service line for the industry as a whole, which matters for private equity because attest work must stay in a CPA-owned firm (Section 6). Businesses and institutions generate nearly nine of every ten dollars; individuals account for about 12%.

2.4 Tax Preparation Practices

REVENUE BY SERVICE

- Standard tax preparation: 59.8%
- Full-service tax preparation: 32.2%
- Basic tax preparation: 5.3%
- Tax-related financial products: 2.7%

REVENUE BY CLIENT

- Businesses: 29.0%
- Individuals earning $75,000 or more: 24.7%
- Individuals earning $30,000 to $74,999: 22.1%
- Individuals earning under $30,000: 20.6%
- Government, nonprofits and other: 3.6%

Tax preparation faces different pressures from CPA firms. Electronic filing and do-it-yourself software continue to take simple returns, and national franchise systems are winning share in the lower-income individual market. Practitioners expect independent tax offices to shift toward small business returns and higher-income individuals, where fees are higher and clients are less likely to switch to software. Shifting federal tax law adds both demand for advice and unpredictability for preparers.

Outsourcing is now normal across the profession. In a 2026 technology survey, 80% of firms reported outsourcing at least one service, most often accounts payable and receivable processing (43%), tax preparation (40%) and financial statement preparation (39%). For buyers, a firm's ability to use offshore or nearshore capacity is now a core part of its margin story.

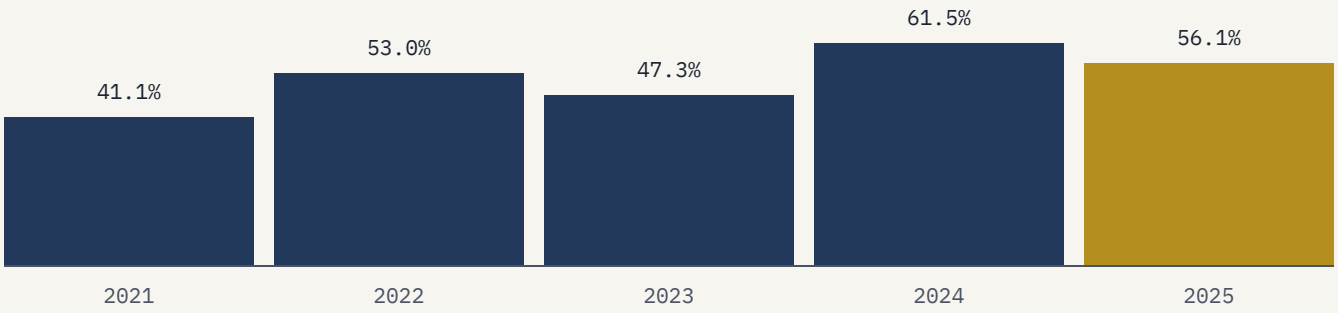
SECTION 3

Practice Economics & Margins

Owner-operated accounting practices are highly profitable before the owner is paid. Across small practices sold between 2021 and 2025, median seller's discretionary earnings (SDE) equaled about 52% of revenue. Across firms of all sizes, profit margins for tax and accounting firms averaged more than 30% through 2025, and about half of tax firms reported rising profits.

Owner earnings as a share of revenue, small practices sold

Median seller's discretionary earnings divided by median revenue, by year of sale



Small Practice Benchmarks

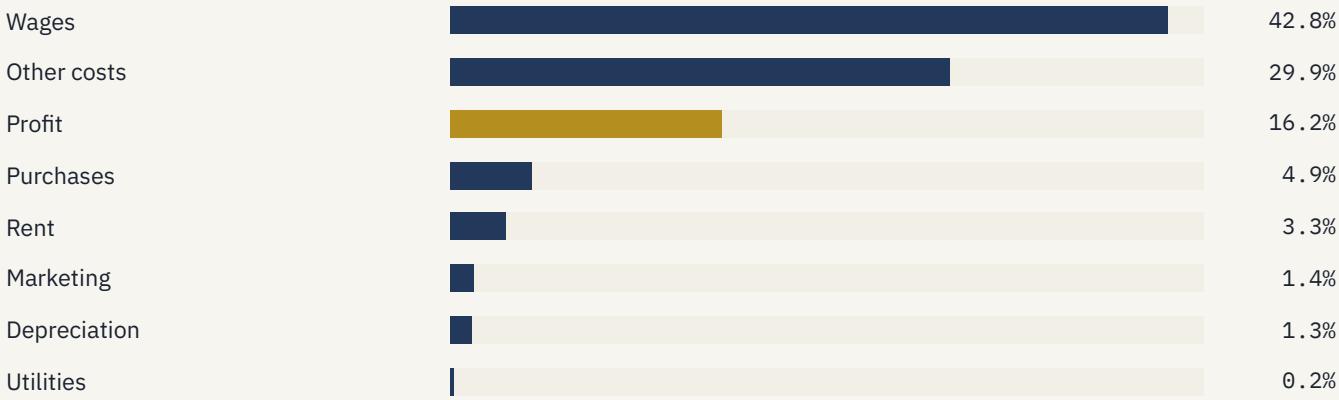
BENCHMARK, PRACTICES SOLD 2021 TO 2025	LOWER QUARTILE	MEDIAN	UPPER QUARTILE
Annual revenue	$240,000	$400,000	$771,527
Seller's discretionary earnings	$124,753	$208,303	$357,273
Earnings multiple (price / SDE)	1.61x	2.04x	2.66x
Revenue multiple (price / revenue)	0.92x	1.02x	1.17x

SDE is not profit available to a new owner. It includes the seller's own salary for doing client work. In a small practice, the owner is usually the most productive preparer and the primary relationship holder, so a buyer must either do that work personally or hire someone to replace it. That is why small practices sell for about two times SDE, while larger firms with a professional management layer are priced on EBITDA after market-rate compensation for every partner.

Industry Cost Structure

CPA firm cost structure

Share of revenue, all firms, after owner compensation



OWNER-OPERATED PRACTICE BENCHMARK, % OF REVENUE	CPA FIRMS	TAX PRACTICES	BOOKKEEPING AND OTHER
Payroll and labor	30%	35%	35%
Occupancy	5%	20%	20%
Cost of goods and services	15%	n/a	n/a
Pretax profit, before owner compensation	**35%**	**40%**	**40%**

The 16.2% industry margin is measured after owner compensation across firms of all sizes. The 35% to 40% pretax figures describe owner-operated practices before the owner is paid, and are closer to SDE. The two measures answer different questions.

Productivity and Pricing Benchmarks

- **Billings per professional:** each employee should be able to bill roughly $100,000 to $200,000 a year, and revenue per employee of $100,000 to $250,000 is a common target depending on the service mix.
- **Owner earnings:** a CPA or tax practice with staff typically returns 40% to 50% of gross revenue to the owner. Sole practitioners working from home can return considerably more.
- **Bookkeeping fees:** monthly bookkeeping clients commonly pay $210 to $500 per month.
- **Tax practice fees:** average net fees of roughly $250 to $400 per return are typical for storefront tax offices, and annual client walkout of 3% to 5% is considered normal.

People are the dominant cost, followed by software, occupancy and insurance. Technology spending has risen sharply as firms move to cloud practice management, tax workflow and AI tools, and that spending is one of the main reasons smaller owners consider joining a larger platform.

SECTION 4

The Talent & Succession Squeeze

For most accounting firm owners, the decision to sell is driven less by price than by the lack of people to take over the practice or do the work.

4.1 An Aging Ownership Base

The AICPA has long estimated that about three-quarters of CPAs would reach retirement age within roughly 15 years, and practice management surveys put about two-thirds of partners at small and midsize firms over age 50. Many firms still lack a written succession plan, and the smallest firms are the least likely to have one. When an owner of a sole practice retires without a buyer, client relationships simply scatter.

4.2 A Thinner Pipeline

- **Fewer candidates:** CPA exam candidates fell by roughly 7% from 2019 to 2024, and accounting graduates are near multi-decade lows.
- **Departures:** more than 300,000 U.S. accountants and auditors left the profession between 2020 and 2022.
- **Licensure reform:** about 43 states have changed rules or passed laws that remove or offer an alternative to the 150-credit-hour requirement, typically a bachelor's degree plus two years of experience. Reform will widen the pipeline, but only gradually.

The talent shortage cuts two ways in M&A. It depresses what a small, owner-dependent practice is worth, because buyers cannot easily staff it. And it raises what buyers will pay for practices that come with a trained team, documented processes and the ability to absorb more work, because staff are now the scarcest input in the profession.

> In accounting M&A, buyers are often acquiring the team as much as the client list.

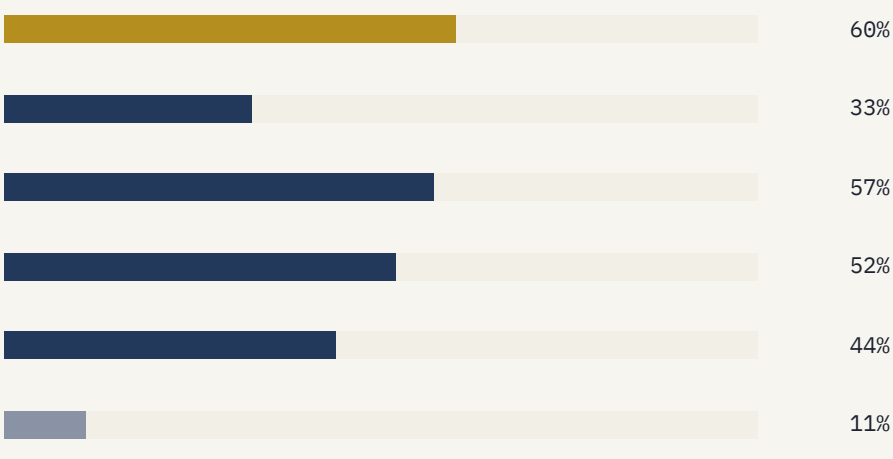
SECTION 5

AI and the Accounting Practice

AI adoption in accounting moved from experimentation to routine use in 2026. The relevant question for owners and buyers is whether AI changes a practice's economics in a way that shows up in margin, capacity or pricing.

AI and automation indicators in tax and accounting

Self-reported survey results, 2026; survey populations differ.



5.1 Where AI Changes the Work

- **Tax research and memos:** the most widely adopted use case, cutting research time on routine questions.
- **Return preparation:** document ingestion, data extraction and first-draft returns, with professionals reviewing exceptions.
- **Bookkeeping and CAS:** transaction categorization, reconciliations and month-end close, which raise the number of clients each accountant can serve.
- **Audit:** full-population testing, anomaly detection and document review.
- **Client service:** intake, document requests and status updates during tax season.

5.2 Who Keeps the Savings

The economics mirror those in other professional services. A practice that bills by the hour hands most of its efficiency gain to clients as lower bills. A practice that charges a fixed fee per return or a monthly CAS retainer keeps the gain as margin, or uses the freed capacity to take on more clients without hiring. Given the talent shortage, most firms will use AI to grow capacity rather than cut staff.

Adoption is uneven by size. Larger firms are advancing faster than small ones, and the gap is widening. PE-backed platforms are spending heavily: Grant Thornton Advisors, for example, announced a $1 billion investment in AI and

technology before agreeing to acquire CBIZ. A sole practitioner cannot match that spending, which is part of why technology access has become a reason to join a platform.

5.3 AI-Native Roll-Ups

A new buyer group has emerged: venture-backed companies that acquire accounting firms specifically to redesign their workflows around AI. Examples include Current (formerly Crete Professionals Alliance), backed by Thrive Holdings with OpenAI as a strategic partner and roughly $1 billion committed to acquisitions; Multiplier Holdings, which has raised about $62.5 million and acquired eight firms; and Modus, which raised $85 million in 2026. These buyers typically target firms of a few million dollars of revenue with repeatable tax and bookkeeping work, and their thesis depends on lifting margins well beyond traditional levels. Owners should treat claimed productivity gains as unproven until they appear in operating results.

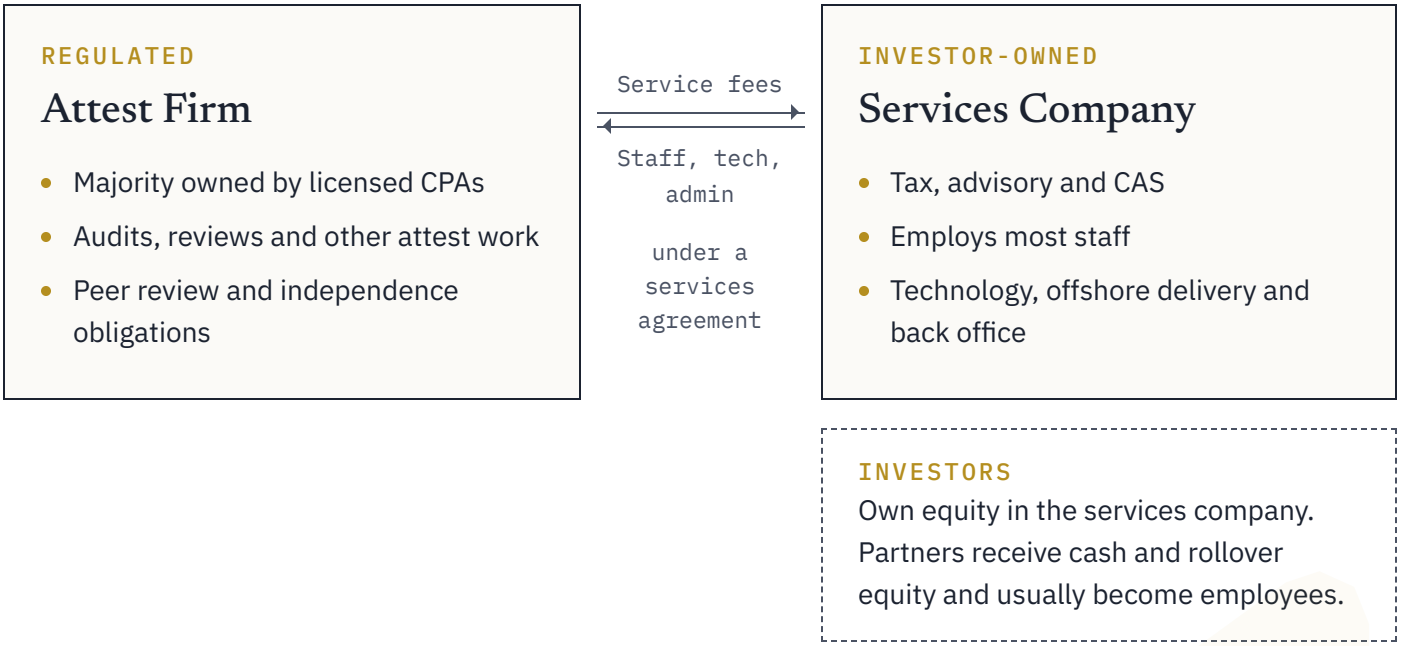
SECTION 6

Private Equity & Consolidation

Private equity's first investment in a top 20 U.S. CPA firm came in 2021. By mid-2026, sponsors had backed about 72 accounting platforms, which had completed more than 500 transactions involving about 473 acquired firms. Those consolidated firms represent roughly $24 billion of annual revenue, nearly 96,000 professionals and about $49 billion of transacted enterprise value. Half of the 20 largest U.S. firms are now PE-backed.

6.1 How the Alternative Practice Structure Works

State law requires that audit and other attest services be performed by firms majority-owned by CPAs. Investors therefore use an alternative practice structure (APS), which splits a firm into two companies that operate under a shared brand.



The structure has drawn regulatory attention. The AICPA's Professional Ethics Executive Committee issued proposed revisions to its APS independence rules in late 2025, received critical comments from state boards and NASBA in 2026, and in November 2026 voted to release a revised exposure draft. Open questions include how far an investor's other portfolio companies affect the attest firm's independence, and whether CPAs employed by the services company may still describe themselves as CPAs under some state rules. Firms with significant audit practices should expect client conflicts and structural costs that firms focused on tax and advisory do not face.

6.2 Notable Platform Transactions

FIRM	INVESTOR / BUYER	DETAIL	STATUS
CBIZ (public)	Grant Thornton Advisors, supported by New Mountain Capital	Announced July 2026. All-cash deal at $55 per share, about $5B enterprise value and a roughly 54% premium to the 30-day average price. Creates the fifth-largest U.S. provider, with more than $5B of domestic revenue. CBIZ's benefits and insurance unit to be spun off. Largest deal of its kind in more than 25 years	Expected to close Q4 2026
Crowe	KKR	Majority stake in Crowe's advisory company announced June 2026, reported at nearly $3B, about 2.2x revenue; partners keep a minority stake	Announced
Eide Bailly	Reverence Capital Partners	Majority stake announced June 2026, reported at about $1.8B on roughly $840M of revenue (about 2.1x); firm adopts an APS	Announced
Baker Tilly + Moss Adams	Hellman & Friedman, Valeas	Combination of two top 15 firms completed June 2025, reported at about $7B and more than $3B of combined revenue	Completed
Citrin Cooperman	New Mountain, then Blackstone	Reported entry at about 11x EBITDA in 2022; sold to Blackstone in 2025 at a reported valuation above $2B, about 15x EBITDA	Completed
Schellman	Lightyear, then Goldman Sachs Alternatives	Lightyear reduced its majority stake through a partnership with Goldman Sachs Alternatives in March 2026	Completed
CohnReznick	Apax-backed add-ons	Acquired Ham, Langston & Brezina (July 2026) and Aldrich (October 2026)	Completed

Compiled from public announcements and press reports through November 2026. Valuations are as reported and have not been confirmed by the parties unless stated in an announcement.

6.3 The Secondary and "Flip" Market

The first generation of PE investments is now being resold. Citrin Cooperman and Schellman have changed sponsors, and Grant Thornton's purchase of CBIZ is the first time one consolidator has bought another outright. Not every step has been smooth: in August 2026, Baker Tilly's owners withdrew a roughly $3 billion leveraged loan. For selling partners, the secondary market matters because rollover equity only turns into cash when the platform itself is sold or recapitalized.

6.4 How Platforms Grow

- **Add-on acquisitions:** local and regional firms with $2 million to $50 million of revenue, typically folded into the platform's brand and systems.
- **Adjacent services:** wealth management, fractional CFO, technology consulting and specialty tax practices.
- **Offshore delivery:** shared service centers in India and elsewhere to expand capacity.

- **Technology:** centralized tax workflow, data and AI tools that small firms cannot afford alone.

Northeastern Advisors helps acquirers find and approach off-market firms through retained acquisition searches, and helps owners compare platform offers through our sell-side advisory process.

SECTION 7

The Owner's Exit Options

Accounting firm owners have more buyer types than ever, and each one pays differently.

OPTION 1

Sell to an individual CPA or local firm

The traditional path for practices under about $2 million of revenue.

PRICING	About 0.9x to 1.2x revenue, or about 2x SDE.
CASH	A large share at closing, often through an SBA loan, with a seller note and a retention adjustment.
TRADE-OFF	Lower headline price, but the most cash up front and a clean exit after a transition period.
BEST FIT	Owner-operated practices ready to retire within one to two years.

OPTION 2

Join a PE-backed platform

Sell to, or combine with, a sponsor-backed firm.

PRICING	Adjusted EBITDA multiples, often well above revenue-based rules of thumb.
CASH	Typically 40% to 70% at closing, with rollover equity and earnouts for the rest.
TRADE-OFF	Higher total value and access to technology and staff, with less control and value tied to future performance.
BEST FIT	Firms with $2 million or more of revenue, a management team and partners who want to keep working.

OPTION 3

Merge upstream into a regional firm

Combine with a larger independent CPA firm.

PRICING	Usually a buyout of partner capital plus retirement payments tied to collections.
CASH	Paid over several years rather than at closing.
TRADE-OFF	Preserves a traditional partnership culture and client service, but often at lower value than a platform.
BEST FIT	Firms with attest practices or partners who prefer a CPA-owned home.

OPTION 4

Sell to an AI-native roll-up

A venture-backed buyer that rebuilds the practice around automation.

PRICING	Competitive with platforms for firms with repeatable work.
CASH	Varies; may include equity in an early-stage company.
TRADE-OFF	Significant change to how staff work and clients are served, and buyer equity that is harder to value.
BEST FIT	High-volume tax and bookkeeping practices with standardized processes.

Questions owners should answer before going to market

1. How much of the practice's revenue depends on the owner personally doing the work or holding the relationship?
2. What share of revenue is recurring year-round, and what share comes from tax season?
3. Does the owner want a clean exit, or to keep working and share in future growth?
4. Would an attest practice limit which buyers can participate?
5. Which staff are essential, and what would keep them through a transition?
6. How much cash at closing does the owner need, and how much risk can they accept in earnouts and rollover equity?

A confidential valuation and exit planning assessment can show how each path would price the same practice.

SECTION 8

Valuation: Small Practices to Platforms

Accounting firms are valued differently depending on their size. The table below summarizes the three tiers that make up the market, followed by the data behind each.

MAIN STREET

~1.0x revenue

About 2x to 3x SDE. Practices under about $2M of revenue selling to individual CPAs and local firms.

LOWER MIDDLE MARKET

4x to 10x EBITDA

Firms with roughly $1M to $10M of adjusted EBITDA, where PE-backed platforms compete.

PLATFORM

~2x revenue

Top 20 firms selling control to sponsors; reported EBITDA multiples in the teens.

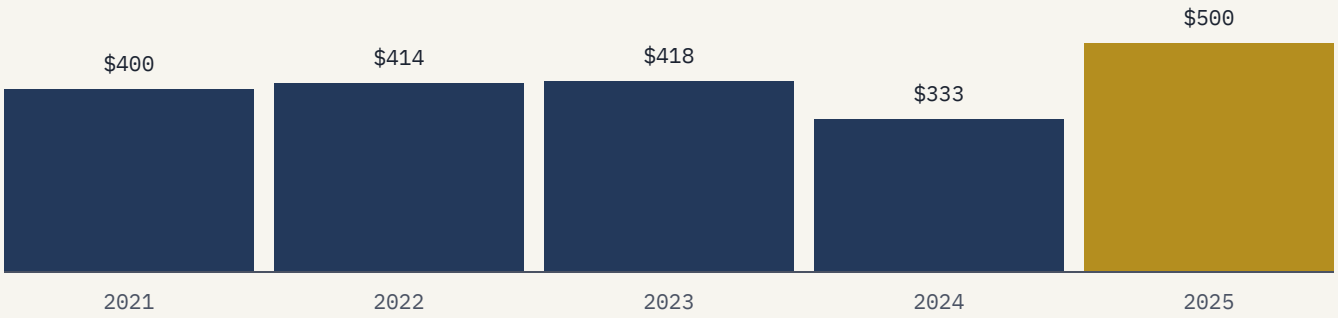
8.1 Small Practices: Five Years of Sold Transactions

YEAR	SALE PRICE	REVENUE	SDE	PRICE / SDE	PRICE / REV.	DAYS LISTED
2021	$400,000	$388,991	$160,000	2.17x	1.03x	124
2022	$414,100	$400,000	$212,149	2.20x	1.08x	156
2023	$417,750	$422,903	$199,966	2.28x	1.04x	172
2024	$332,500	$331,542	$204,059	2.08x	1.04x	166
2025	$500,000	$440,000	$246,797	2.34x	1.11x	169
2021-25	**$425,000**	**$400,000**	**$208,303**	**2.23x**	**1.07x**	**162**

Accounting businesses and tax practices sold through a national small business marketplace. Multiples are averages; sale prices, revenue, SDE and days listed are medians. The 2021-25 row shows the period median or average.

Median sale price of small accounting and tax practices, $ thousands

2024's dip reflected a shift toward smaller, more profitable practices rather than lower multiples

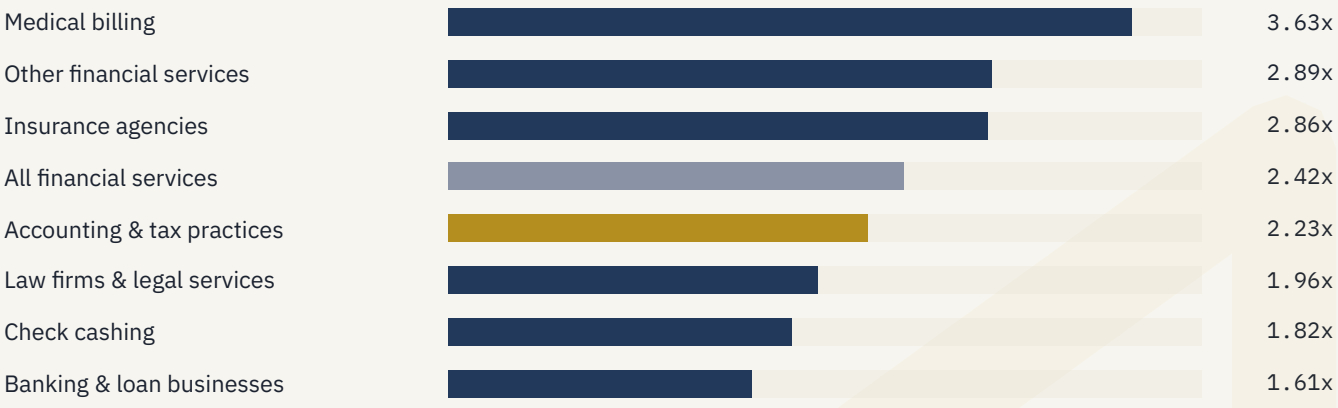


- **2025 was the strongest year in the series,** with the highest median price, the highest multiples and a sale-to-asking ratio of 0.99, meaning practices sold almost exactly at their asking price.
- **Size matters even at this level.** Practices with more than about $700,000 of revenue can sell above 2.6x earnings, while those under $200,000 trade closer to 1.6x or less.
- **Accounting practices sell quickly.** The median of 162 days on market compares with a 270-day median across all financial services businesses sold in 2025.

8.2 How Accounting Compares with Other Financial Services

Average earnings multiple by financial services segment, small businesses sold 2021 to 2025

Price divided by seller's discretionary earnings



Small accounting practices trade slightly below the financial services average on both earnings (2.23x versus 2.42x) and revenue (1.07x versus 1.19x). Their very high owner earnings ratio means a buyer pays about one year of revenue for a practice that generates more than half of that revenue as owner earnings. Medical billing businesses, which also run recurring service contracts, command the highest earnings multiples in the group.

8.3 Median Transaction Multiples by Firm Size

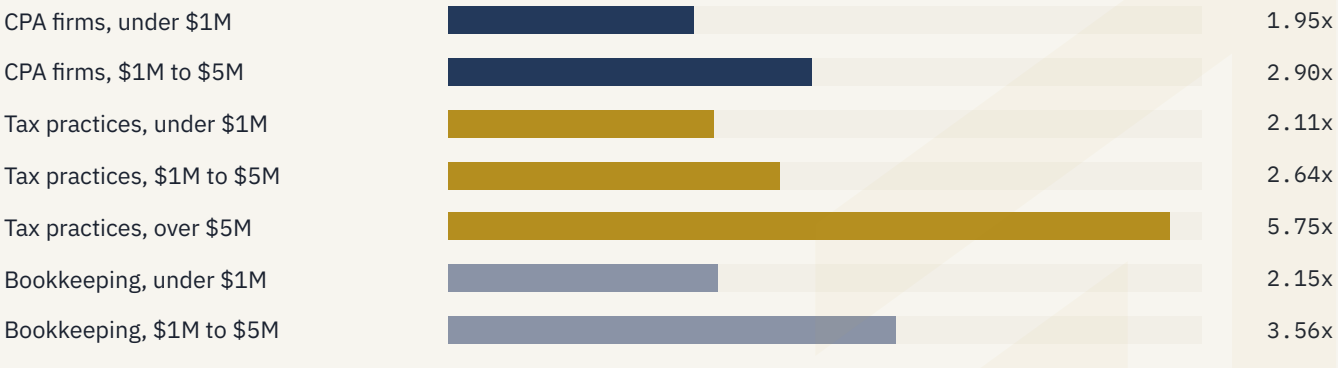
A broader national database of private company transactions, which includes deals completed outside online marketplaces, shows how multiples change with size across the three accounting segments.

SEGMENT AND REVENUE BAND	PRICE / REVENUE	PRICE / GROSS PROFIT	PRICE / SDE	PRICE / EBITDA
CPA firms (NAICS 541211)				
Under $1M	1.00x	1.02x	1.95x	3.18x
$1M to $5M	0.98x	1.03x	2.90x	4.33x
Over $5M	1.09x	1.98x	n/a	4.01x
Tax preparation practices (NAICS 541213)				
Under $1M	0.93x	0.93x	2.11x	2.99x
$1M to $5M	0.99x	0.99x	2.64x	3.02x
Over $5M	1.83x	1.83x	5.75x	6.31x
Bookkeeping and other accounting practices (NAICS 541219)				
Under $1M	0.93x	0.90x	2.15x	3.83x
$1M to $5M	1.00x	1.12x	3.56x	4.27x
Over $5M	0.68x	1.43x	n/a	3.23x

Medians of U.S. private company transactions; price reflects market value of invested capital. Updated August 2025. Sample sizes above $5M of revenue are small, and recorded prices often exclude earnouts, rollover equity and other deferred consideration, which understates what PE-backed buyers pay.

Median price / SDE by revenue band

SDE multiples rise with size in every segment



8.4 Rules of Thumb

METHOD	CPA FIRMS	TAX PRACTICES	BOOKKEEPING AND OTHER
Percent of annual revenue	~112.5%	~112.5%	~125%
Seller's discretionary earnings	~3x	~3x	~3x
EBITDA	3x to 4x	~4x	~3x

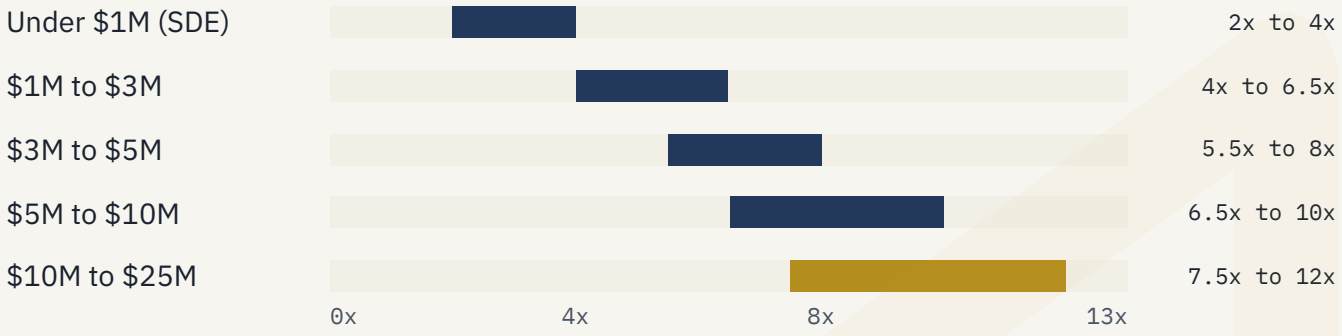
Practitioners who broker accounting firm sales describe a consistent picture:

- **Most firms sell for 100% to 130% of annual revenue.** Very rural practices and some major metro areas fall outside that range, and virtual firms tend to sell at the high end.
- **The multiple of revenue tracks profitability.** Depending on owner earnings, a practice can sell anywhere from about 0.8x to 1.3x gross revenue. For storefront tax practices, net revenue after discounts and refunds, at about 0.9x to 1.15x, is the most reliable measure.
- **The type of work matters.** Business returns, attest and year-round work command more than Form 1040 preparation, and a practice whose work is concentrated in the first four months of the year is less desirable.
- **The PE threshold is about $750,000 of EBITDA.** Standard pricing of 100% to 125% of revenue, 2x to 3x SDE or 3x to 4x EBITDA holds up to roughly that level. Above it, private equity buyers compete and can push multiples into the high 6s. One broker reported closing a firm with $5 million of revenue and $1.85 million of EBITDA (a 37% margin) at 6.5x EBITDA in April 2025.

8.5 The Lower Middle Market: EBITDA Multiples by Size

Indicative accounting firm multiples by EBITDA size, 2026

Ranges of enterprise value to adjusted EBITDA; the smallest band is on an SDE basis



Multiples step up with size because larger firms bring a management team, diversified partners and clients, and the scale a platform needs. Market reports point to more buyers competing for each quality firm than in 2022, but also to some moderation in middle-market EBITDA multiples in early 2026 as financing costs and integration results came under scrutiny.

8.6 Illustration: Four Ways to Price the Same Firm

Consider a business tax and CAS practice with **$3.0 million of revenue** and two owners. Before owner pay, the firm earns **$1.2 million of SDE** (40% of revenue). Replacing both owners' client work with market-rate employees would cost about **$450,000**, leaving **$750,000 of adjusted EBITDA** (25% margin).

PRICING METHOD	MULTIPLE	INDICATED VALUE	TYPICAL BUYER AND STRUCTURE
Revenue rule of thumb	1.0x revenue	$3.0M	Individual or local firm; mostly cash and seller note, with a retention adjustment
Seller's discretionary earnings, median	2.9x SDE	$3.5M	Owner-operator or local firm, often with SBA financing
EBITDA, median private transaction	4.3x	$3.2M	Regional firm or first-time platform buyer
Adjusted EBITDA, competitive process	6.5x	$4.9M	Several platforms bidding; larger rollover and performance conditions

Hypothetical NEA illustration, not a forecast. $1.2M SDE less $450K of market-rate owner replacement equals $750K adjusted EBITDA. The 2.9x and 4.3x multiples are the median SDE and EBITDA multiples for CPA firms with $1M to $5M of revenue in Section 8.3. A higher headline price under EBITDA pricing usually comes with less cash at closing; compare offers on cash, rollover equity and earnout terms, not headline value alone.

8.7 Key Valuation Insights

- **The pricing method changes around $750,000 of EBITDA, or roughly $2 million to $3 million of revenue.** Below it, revenue and SDE multiples dominate. Above it, platforms price on adjusted EBITDA, and the way owner compensation is normalized can move value more than the multiple itself.
- **Read the over-$5M medians with care.** Recorded transaction prices for larger firms often exclude rollover equity and earnouts, and samples are small, so medians near 4x EBITDA understate what competitive PE processes produce.
- **Recurring revenue earns the premium.** Monthly CAS retainers and year-round advisory work support higher multiples than seasonal 1040 preparation.
- **Platform deals reset the top of the market.** Recent top 20 transactions were reported at about 2x revenue, and the Citrin Cooperman resale was reported near 15x EBITDA. These are control investments in scaled firms and do not translate directly to small practices.
- **Headline value is not cash.** Rollover equity and earnouts can make up a third or more of a platform offer, and they depend on retention and the sponsor's eventual exit.
- **AI is a premium only when it shows up in the numbers.** Higher realization, more clients per staff member and fixed-fee revenue earn a premium. Software subscriptions alone do not.

To estimate where your practice falls, start with our business valuation calculator.

SECTION 9

Value Drivers

9.1 Client Base

- Business clients and recurring engagements rather than one-time projects
- No single client above 10% to 15% of fees
- A client age profile that will not retire alongside the owner
- Fee levels in line with the market, with room to raise prices
- Business-to-business clients rather than a practice built on the owner's personal brand

9.2 People & Owner Dependence

- A manager or senior staff member who can lead client relationships after closing
- Low staff turnover and competitive compensation
- An owner willing to stay through at least one or two tax seasons
- Seasoned staff who will stay after the sale; higher average fees and profitability also add value

9.3 Practice Economics

- Revenue spread across the year, with CAS and advisory offsetting tax season
- High realization and collections, with little old work in process or receivables
- Fixed-fee or subscription pricing on repeatable work

9.4 Technology & Operations

- Cloud-based tax, practice management and document systems
- Documented workflows and review procedures
- Measurable gains from automation and AI in capacity or turnaround
- Strong data security and written information security plans

9.5 Regulatory Standing

- Clean peer review results for firms with attest practices
- No pending board complaints, malpractice claims or IRS preparer penalties
- Clear understanding of which attest clients could create independence conflicts for a PE-backed buyer

SECTION 10

Deal Structures & Financing

10.1 Small Practice Sales

- **Under $500,000 of revenue:** SDE-based pricing with a large seller note is common.
- **$500,000 to $2 million:** SBA 7(a) financing with a 10% to 20% seller note. See our guides to the new SBA acquisition rules for October 2026 and SBA citizenship rules.
- **Cash at closing:** deals often pay 80% to 90% or more of the price at closing when the seller provides transition assistance and the firm is in a major metro area. A typical split is about 75% from the buyer and bank and 25% in seller financing.
- **Distressed sales:** when a sole practitioner dies or has a major health event and can no longer serve clients, deals may involve little or no money up front, with the balance paid through a seller note.
- **Look-back protection:** sellers commonly provide a one- or two-year look-back assurance on client retention and carry about 10% of the price.
- **Retention adjustments:** part of the price is often tied to client collections in the first 12 to 24 months. Well-run transitions typically keep 75% to 95% of clients in the first year.
- **Transition:** sellers usually stay through at least one tax season to introduce clients and staff.

10.2 Platform and Larger Transactions

- **Cash at closing:** most deals under $20 million of value pay 40% to 70% at closing, with the balance over two to four years.
- **Rollover equity and employment agreements:** used even in smaller deals to keep the seller engaged during client transitions. In platform deals, partners reinvest part of their proceeds in the platform and are paid when the sponsor sells or recapitalizes.
- **Earnouts:** tied to revenue retention, growth or EBITDA targets.
- **Employment terms:** selling partners become employees, with new compensation, noncompete and nonsolicitation terms that should be reviewed as closely as price.
- **APS restructuring:** firms with attest practices must separate audit work into a CPA-owned entity and may need to resign from engagements that conflict with the sponsor's other investments.

Our M&A process timeline outlines what to expect from preparation through closing.

SECTION 11

Buyer Due Diligence

FINANCIAL

- Revenue by client, service line and month
- Normalized owner compensation and adjusted EBITDA
- Realization, work in process and receivables
- Fee increases and client attrition history

CLIENTS

- Client concentration (any client above 10% of revenue) and age profile
- Client tiers (A, B and C), billing and collection practices, and how much face time clients expect from the owner
- Tax practices: return counts, average net fee, growth and walkout rate
- Engagement letters and their assignability
- Which relationships depend on the owner
- Client consent and notice requirements

REGULATORY & RISK

- Peer review reports and findings
- Malpractice claims and tail coverage
- Independence conflicts for attest clients
- Data security, written security plans and breach history

OPERATIONS & TECHNOLOGY

- Staff roles, tenure, compensation, credentials and retention risk, including noncompete agreements
- Who reviews returns, and the firm's review process
- Franchise transfer terms and lease transferability, where relevant
- Software stack, licenses and data ownership
- Use of offshore staff and outsourcing arrangements
- Measured results from automation and AI

SECTION 12

Key Risks & Outlook

12.1 Key Risks

- **Regulatory:** revised AICPA independence rules and state board positions could raise the cost of APS structures or limit audit work at PE-backed firms.
- **Leverage and exits:** platforms financed with significant debt depend on continued acquisitions and on sponsors finding buyers for their stakes.
- **Integration:** staff and clients can leave when systems, pricing and culture change too quickly.
- **Price pressure:** automation, do-it-yourself software and national tax franchises continue to compress fees on simple individual returns.
- **Professional liability:** errors from poorly supervised AI tools and data breaches create malpractice and regulatory exposure.

12.2 Outlook

- **Consolidation will continue down-market.** With much of the top 30 already PE-backed, platforms will look harder at firms with $2 million to $20 million of revenue.
- **Sponsor-to-sponsor deals will increase** as early investments reach the end of their hold periods, creating liquidity events for partners holding rollover equity.
- **Regulation will tighten at the margin,** led by the AICPA's revised APS guidance and state board scrutiny.
- **AI will widen the gap** between firms that redesign workflows and pricing and firms that do not.
- **Practitioner views on small firm pricing are mixed.** Some brokers expect strong demand to continue, particularly in major metro areas, and rising multiples as PE demand meets a shrinking talent pool. Others see more sellers entering the market as owners retire, and early signs that multiples for ordinary small practices are softening.
- **Small practice values should hold steady** at about one times revenue, supported by retiring owners and buyers who see an accounting practice as a stable, cash-generating business.

CONCLUSION

Conclusion

Accounting has become one of the most active professional services sectors for M&A. Small practice values set a new high in 2025, while private equity has taken over much of the profession's top tier. For owners, the opportunity is real but uneven. A practice with recurring business clients, a capable team and clean financials can attract several types of buyers and choose the structure that fits. A practice that depends on its founder will have fewer options, and they will narrow as the owner ages.

Owners who prepare two to three years before a sale, by building CAS revenue, developing a successor and documenting how the firm runs, will have the most choices. Northeastern Advisors advises practice owners and acquirers on sales, combinations and acquisitions. Learn more about our sell-side process and strategic acquisition advisory, or schedule a confidential consultation.

Considering a Sale, Combination or Acquisition of an Accounting Practice?

Northeastern Advisors advises CPA and tax practice owners, strategic acquirers, private equity firms and family offices on acquisitions, practice sales and partnerships throughout the United States.

Whether you are evaluating a sale to an individual buyer, a platform partnership or an acquisition strategy, our team combines three decades of M&A experience with AI-native transaction sourcing and execution capabilities.

For a confidential discussion, contact Northeastern Advisors at **(646) 461-6630** or visit northeasternadvisors.com.

FAQ

Frequently Asked Questions

What multiple do small accounting and tax practices sell for?

Practices sold between 2021 and 2025 went for an average of about 2.2x seller's discretionary earnings and about 1.07x annual revenue, with a median sale price of $425,000. Practices with more than about $700,000 of revenue can exceed 2.6x earnings, while those under $200,000 trade closer to 1.6x. Rules of thumb place most accounting firms at 100% to 130% of annual revenue, and median SDE multiples for CPA firms rise from 1.95x below $1 million of revenue to 2.90x at $1 million to $5 million.

What do private equity buyers pay for CPA firms?

PE-backed platforms price larger firms on adjusted EBITDA. Indicative ranges run from about 4x to 6.5x for firms with $1 million to $3 million of EBITDA to 7.5x to 12x for firms with $10 million to $25 million. Recent investments in top 20 firms have been reported at roughly 2x revenue.

Can private equity own a CPA firm?

Not the attest practice. State rules require audit and other attest work to be performed by a CPA-majority-owned firm. Investors use an alternative practice structure: the licensed CPA firm keeps the attest work, while tax, advisory and other services move into a separate company that can accept outside capital.

How is AI affecting accounting firm valuations?

AI is reducing the time required for tax research, return preparation, bookkeeping and audit testing. Buyers reward firms that turn those gains into higher margins, fixed-fee or subscription revenue and more capacity per employee. AI use alone does not justify a premium.

How are smaller accounting practice sales financed?

Usually with buyer cash, SBA 7(a) loans and seller notes, often with part of the price tied to client retention over the first year or two. Larger transactions use institutional equity, rollover equity and earnouts.

Sources: Industry reports.

RELATED

Related M&A Guidance

Sell-Side M&A Advisory	Service
Business Valuation & Exit Planning	Service
Retained Buy-Side Acquisition Searches	Service
The M&A Process Timeline	Guide
New SBA Acquisition Rules for October 2026	Guide
All Northeastern Advisors M&A Industry Reports	Reports

ABOUT THE AUTHOR



Moses Shmueli

Managing Partner, Northeastern Advisors

Three decades of M&A, private equity and corporate finance experience, with more than $2 billion in aggregate transaction value across his career.

Moses leads client strategy, positioning, negotiations and critical transaction decisions at Northeastern Advisors, advising business owners, private equity firms, family offices and strategic acquirers on acquisitions, divestitures and capital formation. His work spans professional services, healthcare, home care and related sectors.

Before leading Northeastern Advisors, Moses was Managing Director, M&A at Generational Group, where he originated and closed middle-market transactions and built long-standing relationships with leading private equity firms. Earlier, he advised boards and executive teams of Fortune 500 companies on M&A and capital allocation at EVA Dimensions, executed more than $1 billion of M&A and capital markets transactions at ING Barings Furman Selz, invested in telecom and infrastructure at Sandler Capital Management, and began his career in corporate finance at Ernst & Young.

Moses is a featured lecturer in NYU Stern's Entrepreneurship Through Acquisition program and holds a degree with honors from the NYU Stern School of Business.

CAREER

Northeastern Advisors
Managing Partner

Generational Group
Managing Director, M&A

EVA Dimensions
Vice President, Client Advisory Services

ING Barings Furman Selz
Vice President, Investment Banking

Sandler Capital Management
Private Equity Investments

Ernst & Young
Corporate Finance

SELECTED RECOGNITION

M&A Advisor
Telecommunications and International Healthcare / Lifesciences Deal of the Year (2023); Corporate / Strategic Deal of the Year (2021)

Generational Equity
Dealmaker of the Year (2023)

Northeastern Advisors

New York-based M&A advisory: sell-side and buy-side advisory, retained acquisition searches, and valuation and exit planning for professional services, healthcare, home care and related sectors. Sell-Side Advisory · Buy-Side Advisory

New York, NY
(646) 461-6630
mshmueli@northeasternadvisors.com
northeasternadvisors.com

This report is general information and not legal, tax, accounting or investment advice. Figures are estimates based on industry data and publicly reported transactions; some reported deal terms have not been confirmed by the parties. Copyright © 2026 Northeastern Advisors. All rights reserved.