

EXHIBIT NO. 1

DATE 1/21/05

BILL NO. SB 278

Talking Points for SB 278

Under current Montana law, any certified public accountant (CPA) who wishes to practice public accounting in Montana (resident or non-resident) MUST obtain a license from the State Board of Public Accountants.

This bill will improve and simplify practice rights across state lines for CPAs and gives the State Board of Public Accountancy the authority and means to regulate and discipline those CPAs.

Under this bill, if a CPA has a valid license from a state with CPA licensing criteria that are substantially equivalent to Montana's, then the CPA can cross state lines to practice in Montana without obtaining a license in Montana. However, the CPA must notify the State Board of Public Accountants of his or her intention to practice and agree to follow the laws and rules in Montana.

This law pertains to individuals who are not Montana residents, do not maintain an office in Montana and have not had any adverse disciplinary action taken against them in any other jurisdiction. If a CPA moves to Montana or relocates his or her principal place of business to Montana, then he or she must obtain a license in Montana.

Forty seven of the 54 jurisdictions are deemed substantially equivalent; 25 of those have already passed similar legislation to allow for the practice across state lines.

Why is this bill important to Montana?

- ✓ **It will ensure that the State Board of Public Accountants is aware of CPAs who come in to Montana to practice or provide services for clients located in the state of Montana.**
- ✓ **It will give the State Board of Public Accountants the power to discipline these CPAs if they do anything wrong in connection with the services they provide clients located in Montana.**
- ✓ **In light of the globalization of business and the effect technology has had on the ability of CPAs to serve clients regardless of their physical location, the concept of substantial equivalency is a crucial contribution to the profession and the public it serves.**
- ✓ **It will benefit Montana firms who need to joint venture with out of state firms to help on specialized engagements.**
- ✓ **It will benefit those Montana firms who hire peer reviewers, from out of their competitive markets, to conduct a quality review of the firm's accounting and auditing practice.**

An analogy for you to consider:

You and your family are driving to Spokane to enjoy a weekend of golf and shopping. At the Idaho border you are asked for an Idaho driver's license. You show them your Montana license and they say 'sorry, you need to turn around until you become licensed in Idaho.'

Substantial Equivalency and Other States

Forty seven of the 54 jurisdictions* are deemed substantially equivalent. To be deemed substantially equivalent, a state must require three things for licensure: **The three E's**; 150 hours of **education**; **Uniform CPA Exam** and one year of **experience**. Montana was deemed substantially equivalent when we passed the 150 hour law.

Twenty-five jurisdictions have already passed similar legislation to allow for the practice across state lines:

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| ✓ Arkansas | ✓ North Carolina |
| ✓ Guam | ✓ North Dakota |
| ✓ Idaho | ✓ Ohio |
| ✓ Illinois | ✓ Oklahoma |
| ✓ Indiana | ✓ Oregon |
| ✓ Kansas | ✓ Rhode Island |
| ✓ Kentucky | ✓ South Dakota |
| ✓ Louisiana | ✓ Tennessee |
| ✓ Maine | ✓ Texas |
| ✓ Minnesota | ✓ Virginia |
| ✓ Missouri | ✓ Washington |
| ✓ New Hampshire | ✓ West Virginia |
| ✓ New Mexico | |

Eight states have introduced similar legislation this year:

- ✓ California
- ✓ Maryland
- ✓ Michigan
- ✓ Montana
- ✓ New Jersey
- ✓ New York
- ✓ Pennsylvania
- ✓ Wyoming

Five jurisdictions do not have the 150 hour requirement and cannot be deemed substantially equivalent: Colorado, Delaware, New Hampshire, Vermont and Virgin Islands.

Two jurisdictions do not have an experience requirement and cannot be deemed substantially equivalent: Florida and Puerto Rico.

* 50 states and Guam, Virgin Islands, Puerto Rico and the District of Columbia