

goes beyond VAA
could have negative impact from
other states

2) amendments - both compromises
A) still allow permit if desired; but also allow a simple
notification process (as per VAA) if that's what the CPA wants
B) don't require notification or permit for a Non-MT CPA
To do a MT Tax return unless he physically comes to MT to do it.
(more MT CPA's do CA's returns than vice versa.)
- clarify tax ops covered under CPA license in 36 states - that's a lot more than 75 states and it's
in their license of non-resident CPA's
at the time, the NSCPA director said she was "ok with my
& NSCPA representatives agreed with some amendments
2 Board members also agreed - but not speaking for Board

General - page A-3
3 1st 2 pages
A-1 VAA-2
47 of 54 states
25 passed similar
legislation

Uniform Accountancy Act

EXHIBIT 1
DATE 3/3/85
9B 278

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Standards for Regulation Including
Substantial Equivalency

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"only a handful of states" - special permit to practice

VAA only REQUIRES
NOTICE INSTEAD OF permit

"absolutely
correct"

TRP prep

our view of THAT is VERY consistent with yours

Sheri Bangs -
AICPA Director of State
Legislation

20-434-920

549-4148

1 SECTION 23
2 SUBSTANTIAL EQUIVALENCY
3

4 (a)(1) An individual whose principal place of business is not in this state having a valid
5 certificate or license as a Certified Public Accountant from any state which the
6 NASBA National Qualification Appraisal Service has verified to be in substantial
7 equivalence with the CPA licensure requirements of the AICPA/NASBA Uniform
8 Accountancy Act shall be presumed to have qualifications substantially equivalent
9 to this state's requirements and shall have all the privileges of certificate holders
10 and licensees of this state without the need to obtain a certificate or permit under
11 Sections 6 or 7. However, such individuals shall notify the Board of their intent to
12 enter the state under this provision. ←

13
14 (2) An individual whose principal place of business is not in this state having a valid
15 certificate or license as a Certified Public Accountant from any state which the
16 NASBA National Qualification Appraisal Service has not verified to be in
17 substantial equivalence with the CPA licensure requirements of the AICPA/NASBA
18 Uniform Accountancy Act shall be presumed to have qualifications substantially
19 equivalent to this state's requirements and shall have all the privileges of certificate
20 holders and licensees of this state without the need to obtain a certificate or permit
21 under Sections 6 or 7 if such individual obtains from the NASBA National
22 Qualification Appraisal Service verification that such individual's CPA
23 qualifications are substantially equivalent to the CPA licensure requirements of the
24 AICPA/NASBA Uniform Accountancy Act. However, such individuals shall notify
25 the Board of their intent to enter the state under this provision. ←

26
27 (3) Any licensee of another state exercising the privilege afforded under this section
28 hereby consents, as a condition of the grant of this privilege:

- 29
- 30 (a) to the personal and subject matter jurisdiction and disciplinary authority of
31 the Board,
- 32
- 33 (b) to comply with this Act and the Board's rules; and,
- 34
- 35 (c) to the appointment of the State Board which issued their license as their agent
36 upon whom process may be served in any action or proceeding by this Board
37 against the licensee.

38
39 *COMMENT:* Subsection 23(a)(3) is intended to allow state boards to discipline licensees from
40 other states that practice in their state. Under Section 23(a), State Boards could utilize the
41 NASBA National Qualification Appraisal Service for determining whether another state's
42 certification criteria are "substantially equivalent" to the national standard outlined in the
43 AICPA/NASBA Uniform Accountancy Act. If a state is determined to be "substantially
44 equivalent," then individuals from that state would have ease of practice rights in other states.
45 Individuals who personally meet the substantial equivalency standard may also apply to the

1 National Qualification Appraisal Service if the state in which they are licensed is not
2 substantially equivalent to the UAA.

3
4 ~~Individual CPAs who practice across state lines or who service clients in another state via~~
5 ~~electronic technology, would not be required to obtain a reciprocal certificate or license if their~~
6 ~~state of original certification is deemed substantially equivalent, or if they are individually~~
7 ~~deemed substantially equivalent. The CPA merely must notify the Board of the state in which~~
8 ~~the service is being performed. However, licensure is required in the state where the CPA has~~
9 ~~their principal place of business. If a CPA relocates to another state and establishes their~~
10 ~~principal place of business in that state then they would be required to obtain a certificate in that~~
11 ~~state. See Section 6(c)(2). Likewise, if a firm opens an office in a state they would be required to~~
12 ~~obtain a license in that state.~~

13
14 As it relates to the notification requirement, states should consider the need for such a
15 requirement since the nature of an enforcement complaint would in any event require the
16 identification of the CPA, and a CPA practicing on the basis of substantial equivalency will be
17 subject to enforcement action in any state under Section 23 (a)(3) regardless of a notification
18 requirement.

19
20 Implementation of the "substantial equivalency" standard and creation of the National
21 Qualification Appraisal Service will make a significant improvement in the current regulatory
22 system and assist in accomplishing the goal of portability of the CPA title and mobility of CPAs
23 across state lines.

24
25 **(b) A licensee of this state offering or rendering services or using their CPA title in**
26 **another state shall be subject to disciplinary action in this state for an act committed**
27 **in another state for which the licensee would be subject to discipline for an act**
28 **committed in the other state. Notwithstanding Section 11(a), the Board shall be**
29 **required to investigate any complaint made by the board of accountancy of another**
30 **state.**

31
32 *COMMENT:* This section ensures that the Board of the state of the licensee's principal place of
33 business, which has power to revoke a license, will have the authority to discipline its licensees if
34 they violate the law when performing services in other states and to ensure that the state board of
35 accountancy will be required to give consideration to complaints made by the boards of
36 accountancy of other jurisdictions. } X

Diversity in requirements for the CPA certificate tends to create confusion over the meaning of the certificate. Further, doubt is raised regarding the comparability of the competence of CPAs. Accounting principles and auditing standards used in the practice of public accounting are national in scope; they are not subject to limitations imposed by geographical boundaries. The preponderance of interstate commerce in our economy makes it necessary for qualified accountants to practice across state borders in response to the needs of the public.

MISSION
CREEP
in each state

Virgil Webb - 202-434-9222
ACPA

Provincialism
Protectionism

APPENDIX A

LEGISLATIVE POLICY (ANNOTATED)
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

ACPA DOESN'T CARE - WHY? There are protections

1. The public interest warrants the licensing and regulation of persons professing expertise in accounting who perform professional accounting services, including the expression of opinions on financial statements and other information upon which the public necessarily relies.

Only a few
States have
passed the
limited
permits.
Mr. Webb
doesn't think
too highly
of them.

Protection of the public interest is a basic tenet of society. Good governments, since the beginning of civilization, have enacted laws protecting the health and welfare of the public. These basic human rights are protected, and indeed may only be secure, when the financial resources and economic well-being of society are guarded. Today, financial decisions are made, and resources are allocated, by reference to financial reports and other accounting data. These reports and data must be fair and must be believable. Both qualities are enhanced by the professional certified public accountant's work, and that function needs to be regulated for the public's sake.

The state, under its police power, may pass laws to protect the public against fraud, deception or the consequences of ignorance and incapacity, and may exact the requisite degree of skill and learning of persons in professions and pursuits which affect the public health or welfare, such as accountancy. (Davis v. Allen, 307 S.W.2d 800, Tenn. Ct. App., 1957.)

2. There is no such compelling need for licensing and regulation of persons offering record-keeping and elementary accounting services performed at the instance of, and for the benefit of, employers and clients. Nor is licensing required in connection with the preparation of tax returns because of regulatory and disciplinary authority presently possessed by the Internal Revenue Service and other taxing authorities.

Freedom of enterprise is a basic concept of American philosophy that must be evaluated against the public's right to protection when determining activities that need to be regulated. There does not appear to be a compelling public interest in restricting the services noted above to licensed persons only. At the same time, courts have held that the expression of opinions on financial statements and data on which credit grantors, government officials, investors, and other third parties may rely, clearly involves the public interest in such a way as to require regulation. Professional accounting services deemed to merit regulation are perhaps well summarized in a 1964 decision of the Tennessee Court of Appeals. The Court said,

The Courts have generally recognized that the practice of public accountancy is a highly skilled and technical ... profession and, as such, may be regulated by the legislature within proper limits.... However, the Courts consistently have held that legislation which prohibits noncertified accountants from practicing the profession of accountancy is invalid as it infringes upon rights of contract in matters of purely private concern bearing

web

no perceptible relation to the general or public welfare. And, in so doing, the Courts have indicated that bookkeeping and similar technical services--as contrasted with auditing and expressing opinions on financial statements--do not involve a sufficient public interest to permit legislative interference with the normal right of an individual to deal with anyone he chooses.... (State of Tennessee ex rel. State Board of Accountancy v. Bookkeepers Business Service Co., 382 S.W.2d 559, Tenn. Ct. App., 1964.)

Licensure of tax return preparers would be difficult to administer and ineffective. A major disadvantage is that tax authorities would not automatically obtain information about the returns prepared by a licensee. Without such information, it would be difficult to check on the competence or honesty of the return preparer. Moreover, licensure would not prevent improprieties associated with advertising by commercial tax return preparers and tax return preparers who are unethical. Further, the federal government should be given a fair chance to succeed in its current program of testing methods of regulating tax return preparers.

3. The practice of professional accountancy should ultimately be restricted to certified public accountants who have demonstrated competency by passing the Uniform CPA Examination, by fulfilling educational and other requirements, and by continuing to meet professional standards.

The licensure and regulation of professionals should be conducted as a professional function. State Boards of Accountancy have as their responsibility the maintenance of adherence to high technical and ethical standards. In this policing activity, Board members should be qualified to judge whether the licensee's professional activities conform with standards established to protect the public interest.

4. The enactment of a regulatory accountancy law is not intended to deprive persons who are practicing public accounting as principals at the time of passage of the law of their means of livelihood, and they should be permitted to register as public accountants and become subject to regulation. All further registration or licensing to practice public accountancy should be limited to persons demonstrating their competence as certified public accountants.

Registration of public accountants is appropriate to protect the interests of those who at the time of the enactment of a law had been entitled to assume the designation "public accountant." However, provision should not be made for additions to the ranks of public accountants. The intention is to protect the constitutional rights of those already engaged in public accounting--not to create a permanent second class of professional accountants. Those who would enter public practice in the future should do so only by satisfying educational and other requirements and by passing the Uniform CPA Examination.

5. The accounting profession serves a broad public interest as evidenced by the similarity of accounting needs in all political jurisdictions. In order that it may serve this interest, uniform licensing and regulatory requirements should be established, and unnecessary restrictions of a local character should be avoided.

Boards don't
have access to
confidentiality
info
anyway.

APPENDIX C

SUBSTANTIAL EQUIVALENCY

Introduction

This appendix sets out guidelines with regard to the substantial equivalency standard that will be administered by the NASBA Qualification Appraisal Service. In determining whether there is substantial equivalency, the keynote is flexibility. The criteria is whether the broad outlines and concepts in this Act have been satisfied rather than a "checkmark" approach that examines whether the state's law includes all of the detailed provisions in the UAA. Any other approach would not carry out the intention of the historic agreement reached by the AICPA and NASBA with regard to the substantial equivalency standard. The goal is to promote mobility for qualified CPAs. Because the substantial equivalency standard is based on the standards set out in the UAA, the standard also protects the public. The sections below provide additional detail with regard to the substantial equivalency standard.

A. Substantially Equivalent States

The criteria for determining whether a state's CPA qualification requirements are substantially equivalent to the UAA include: good character, completion of the 150 hour education requirement, passage of the Uniform CPA examination and compliance with a one year general experience requirement. A state will be considered substantially equivalent as long as the effective implementation date for the 150 hour education requirement is to occur within six years after the date on which the requirement is enacted.

B. Individuals

Individual CPAs who personally meet the substantial equivalency standard can personally apply for and utilize the standard even if the CPA qualification requirements in their state are not substantially equivalent. This will maximize mobility for qualified professionals. In reviewing individual applicants, the Qualification Appraisal Service should utilize the same flexible approach that is used with regard to determining whether a state is substantially equivalent to the UAA. For those who cannot use the substantial equivalency standard, if they have four years of experience of the type outlined in Section 5(f) of the UAA they would be eligible for reciprocity under Section 6(c)(1) of the UAA.

C. Grandfathering

All CPAs licensed as of the date that the state receives its notice of substantial equivalency from the NASBA Qualification Appraisal Service will be eligible to use the substantial equivalency provision with regard to interstate practice. This will promote the substantial equivalency standard, promote mobility for CPAs and enhance adoption of UAA provisions by the states.