BUSINESS & LABOR
EXHIBIT NO. 3
DATE 3-13-15
BILL NO. HB 44

HB 44 – An Act Revising Laws Related to the Licensing of Public Accountants

Dan Vuckovich, CPA
Board of Public Accountants, Member

Senate Business, Labor & Economic Affairs Committee

The main focus of this bill is to eliminate the two-tier licensing system for CPAs. The current licensing scheme is antiquated and causes a great deal of confusion to licensees, and consumers.

The Montana Board of Public Accountants currently issues a "certificate" level of licensing, which does not allow the certificate holder to perform any public accounting duties, nor does it allow them to hold themselves out as a CPA. This bill would eliminate the certificate only level of licensing.

The difference in qualifications for the certificate only and for a full license with a permit to practice is the full license requires 2000 hours of accounting and auditing experience within 3 years of applying for the license. The experience can be obtained by private, governmental, academic or public accounting work.

As a Board, we have seen confusion arising from the two tier licensing system. At the most recent board meeting, we had several applicants who applied for a certificate only. After discussing their application with them, it turned out they wanted to be able to hold themselves out as a CPA and wanted a full license with a permit to practice. They had the required experience, they were just confused on what level of license to apply for. We have noted other situations where the same confusion exists.

Additionally, the public does not always understand the difference between the two levels. A person with a certificate only is not entitled to practice public accounting, yet employers hire those licensees, thinking they have a fully licensed CPA on staff, able to practice public accounting and required to regularly take continuing professional education to remain current on changes in law, standards, and codes.

Elimination of the two tier licensing systems is a good thing for Montana consumers. It clarifies who has met the stringent requirements to obtain a CPA license. It ends the confusion on who may perform public accounting services. And it simplifies the licensing system for new CPA license applicants.

As a result of eliminating the two-tier licensing, other Montana statutes are affected. This bill includes amendments to those other areas to implement the single license.

This bill also eliminates the "Licensed Public Accountant" or LPA license level. This level of licensing was put into place to assist people serving in the Armed Forces on July 1, 1969, who had practiced public accounting immediately prior to entering the service. We currently have 4 LPAs. This bill allows those LPA's with a permit to practice to continue to practice without meeting further qualifications.

This bill also contains some additional cleanup language to clarify board intent. It defines what a satellite office is and requires firms to register in the state, but eliminates the current requirement for each office of a firm to register. This will eliminate the need for firms with offices in multiple locations to register each of those locations.

The definition of firm is amended to include a "sole practice" to ensure all firms performing attest services come under the mandatory peer review requirement.

The bill clarifies the difference between an "exam candidate" and a "license applicant" by amending the references throughout Board statutes.

The bill eliminates the requirement for a license to be "prominently displayed" and instead requires a licensee to provide proof of licensure upon request by a client. It is just as likely that a licensee has much or all of their interaction with a client through electronic methods. A client might never meet their CPA in the office to view the license "prominently displayed."

The bill eliminates the appearance that the Board of Public Accountants has authority over firm owners who are not CPAs but hold other professional licenses. It is not up to the Board of Public Accountants to ensure compliance with other licensing board requirements.

While this is a somewhat lengthy bill, it is basic in intent; to eliminate the two tier licensing system, to eliminate the LPA license category, and to streamline Board requirements for firm registration and display of license.

I appreciate your consideration of HB 44 and encourage a vote of "do pass" recommendation.