

Legislative Analysis



REVISIONS TO CPA ACT

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House Bill 5936

Sponsor: Rep. Andy Coulouris

Committee: Banking and Financial Services

Complete to 4-21-08

A SUMMARY OF HOUSE BILL 5936 AS INTRODUCED 4-8-08

The bill would make numerous revisions to Article 7 of the Occupational Code (MCL 339.720 et al.), which governs the profession of Certified Public Accountants (CPAs). In general, the bill would adopt model legislation proposed by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy intended to remove barriers created by varying state laws that make it cumbersome for CPAs licensed in one jurisdiction to serve clients located in another.

Significant revisions to the act include the following provisions.

Individuals. A CPA licensed in another state would be considered to have qualifications substantially equivalent to Michigan requirements, have all the privileges of a Michigan-licensed CPA, and could practice public accountancy without needing to obtain a certificate, license, or temporary practice permit if he or she met either or both of the following:

- Holds a valid license as a CPA from another jurisdiction that requires the individual have at least 150 semester hours of college, including a baccalaureate (or higher) degree; pass the national Uniform Certified Public Accountant Examination; and have at least one year experience in public accountancy.
- Holds a valid license as a CPA from another jurisdiction that does not meet the above requirements, but his or her CPA qualifications are substantially equivalent to those requirements. Any individual who passed the national examination and holds a valid license by another licensing jurisdiction prior to January 1, 2012 would be exempt from the above educational requirements.

A CPA rendering professional services under the above provisions, whether in person or by mail, telephone, or electronic means would be granted practice privileges in the state. No notice, fee, or other submission would be required from that CPA.

A CPA who had met either or both of the above provisions could perform certain engagements included in the definition of "attest" (i.e., audits) for an entity with its home office in this state only through a firm that has obtained a license under the act.

Firms. A firm that offered public accounting services would only have to obtain a Michigan license if it established or maintained an office in the state or an individual representing the firm performed certain services, including audits, as specified in the bill. In addition to current requirements to obtain a license under the act, owners of firms applying for licensure who were not CPAs would have to be active individual participants in the firm or its affiliated entities. The firm would also have to file the required certificate of authority with the Department of Labor and Economic Growth under provisions of the Business Corporations Act, if applicable.

A firm not required to obtain a Michigan license could perform a review engagement for a client having its home office in this state; could use the title "CPA" or "CPA Firm"; and could practice public accountancy without a license under specific conditions, including performing such services through an individual with practice privileges under the bill.

Penalties and disciplinary actions. The bill would apply existing penalty provisions for conduct prohibited under the act, such as engaging in fraudulent business practices, to individuals licensed in other jurisdictions granted practice privileges under the bill and also to the firms employing those individuals.

The individual granted practice privileges under the bill and the firm who employs the individual are declared by the bill as consenting to several stipulations as a condition of the exercise of the practice privilege. The stipulations include:

- Personal and subject matter jurisdiction and disciplinary authority of the State Board of Accountancy and DLEG.
- Compliance with the act and applicable rules.
- If the license of an individual granted practice privileges under the bill becomes invalid, the individual would have to cease offering or rendering professional services in this state both individually and on behalf of a firm.
- Appointment of the state board or other licensing authority issuing the individual's license as the agent for process of service.

A Michigan licensee who offered or rendered services or used the CPA title in another licensing jurisdiction or before a state or federal agency would be subject to disciplinary action in this state for acts committed in that other jurisdiction that would be subject to discipline in that licensing jurisdiction. DLEG would have to examine any complaint made by another licensing jurisdiction and could accept, as prima facie evidence of a violation of this act, the final order of violation issued by another state board or other licensing jurisdictional authority.

Definitions. The bill would define several new terms, including "attest," "client," "compilation," "home office," "principal place of business," and "report." It also would revise the definition of "certified public accountant."

FISCAL IMPACT:

The bill would result in an indeterminate reduction in revenue for the Department of Labor and Economic Growth relative to the issuance of temporary permits and registrations for out-of-state accounting firms and individuals.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.