

# Legislative Analysis



## ACCOUNTING FIRM REQUIREMENTS

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**House Bill 5220 (Reported from committee as Substitute H-1)**

**Sponsor: Rep. Tim Kelly**

**Committee: Regulatory Reform**

**(Enacted as PA 177 of 2014)**

### **First Analysis (4-16-14)**

**BRIEF SUMMARY:** The bill would amend the Occupational Code (PA 299 of 1980) to eliminate the requirement that the principal officer of an accounting firm and each officer with authority for the practice of public accounting by the firm be licensed and in good standing as certified public accountants. Instead, the bill requires attest and compilation services provided by a firm to be performed under the supervision of a CPA.

**FISCAL IMPACT:** The bill would not have a significant fiscal impact on the state or local units of government.

### **THE APPARENT PROBLEM:**

According to testimony from the bill sponsor and supporters, some CPA firms now offer additional business services or have merged or been bought by businesses offering a range of business services. Because these companies offer more than accounting services, the bill's supporters say that it is no longer prudent to require only licensed CPAs to serve as officers and directors of the entire business.

### **THE CONTENT OF THE BILL:**

Article 7 of the Occupational Code deals with certified public accountants. Section 728 addresses the requirements for accounting firms to obtain a Michigan license. The bill would amend that section in the following ways.

- Currently, the statute lists the requirements a firm must meet to be licensed. One of the requirements is that the principal officer of the firm and each officer or director with authority for the practice of public accounting by the firm be licensed and in good standing as certified public accountants in Michigan or another state or the equivalent in another jurisdiction). The bill would strike much of this language and, instead, require that:

*All attest and compilation services provided by the firm in this state are performed under the supervision of an individual who is licensed and in good standing as a certified public accountant in this state or another state or the equivalent in another licensing jurisdiction acceptable to the board.*

### **ARGUMENTS:**

#### **For:**

As stated above, supporters of this bill note that because some businesses offering CPA services have diversified beyond accounting services, it no longer makes sense to require that

only licensed CPA serve officers or directors. The bill instead requires that all attest and compilation services still be performed under the supervision of licensed CPAs, which ensures accounting services are provided by qualified individuals.

***Against:***

There was no testimony submitted in opposition to this bill and no concerns were raised during committee deliberations.

***POSITIONS:***

Representatives of the Michigan Association of Certified Public Accountants testified in support of this bill on 3-18-14.

The Michigan Department of Licensing and Regulatory Affairs indicated that it is neutral on 3-18-14.

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