**Introducing CPA Firm Mobility - Frequently Asked Questions**

**SAMPLE**

Below are answers to some Frequently Asked Questions (FAQs) concerning a potential proposal to add CPA firm mobility language to our state’s accountancy statute. For more information or if you have further questions please contact Mat Young, AICPA Vice President for State Regulation and Legislation, myoung@aicpa.org, (202) 434-9273 (or replace with an appropriate contact in your State Society).

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**What does interstate “mobility” mean when referring to the CPA profession?**

Mobility generally refers to the ability of CPAs or CPA firms to move across state lines seamlessly. In 2006, profession leaders announced an “individual CPA mobility” initiative to pass laws around the country to allow a CPA license to operate much like a driver’s license. CPAs would only have to maintain one license in one state and they could bring that license into other states for temporary practice purposes without having to apply and pay to obtain a reciprocal license. In exchange for this privilege, they would remain subject to both the oversight of the state boards of accountancy in their home state and any temporary practice state. (This set of criteria is generally referred to, within the CPA profession, as “no notice, no fee, no escape.”)

**How has individual CPA mobility worked?**

The individual CPA mobility initiative has been an enormous success story. In less than a decade, 49 states, the District of Columbia, and the U.S. Virgin Islands have passed individual CPA mobility laws and the remaining 5 jurisdictions (Hawaii, Puerto Rico, Guam, and the Commonwealth of the Northern Mariana Islands) continue to examine such proposals. Furthermore, state boards of accountancy have not indicated that passage of the laws has harmed their oversight authority in any way. Meanwhile, the laws ensure that CPAs are now able to more easily move around the country and compete for business without unnecessary compliance burdens or extra fees. Indeed, CPAs who formerly had to maintain up to a half dozen or more licenses can now operate with just one.

**Why are profession leaders beginning to discuss the concept of CPA firm mobility? How would it work?**

Given that individual CPA mobility is now the law of the land throughout almost the entire country, profession leaders are returning to a previous promise they made in regard to examining the operations of CPA firms across state lines. Although CPAs can practice relatively freely across state lines, CPA firms must still register in every state in which their CPAs are providing what are known as “attest” services. Attest services generally include: audits, reviews, engagements performed under the Statements on Standards on Attestation Engagements (SSAEs), and engagements required by the Public Company Accounting Oversight Board (PCAOB). In contrast, CPA firms do not have to register as out-of-state firms when their partners are providing non-attest services such as tax advice, financial planning, or consulting services.

Because the initial individual CPA mobility initiative was new and unvetted, lawmakers, profession leaders, and regulators jointly decided that it was important to retain a CPA firm registration requirement for attest services – those specific services that can be provided to clients only by CPAs operating within a CPA firm – until the individual CPA mobility initiative could be assessed.In light of the success of the individual CPA mobility laws, the question now before our state is whether or not attest services should be treated similarly to non-attest services when performed by out-of-state CPA firms. Put more simply: should our state adopt a “no notice, no fee, no escape” law for CPA firms in the provision of all of their services just as it did for individual CPAs? Such a measure would ensure on-going strong regulatory protections for the public, but would eliminate unnecessary compliance costs and extra fees.

**Does CPA firm mobility already exist in certain parts of the country? How is it working?**

CPA firm mobility is already the law of the land in almost a third of the country. The experience in these 14 states indicates that it can and does work well. State boards of accountancy with CPA firm mobility in place are not reporting any significant problems with their laws, and CPA firms are finding that they are able to be more competitive and efficient under this type of regulatory regime.

**How is the public protected under a CPA firm mobility law?**

The public has the exact same protections under a CPA firm mobility law as they do with a law that requires out-of-state firms to register and pay extra fees. The state board of accountancy’s authority to investigate, fine, or otherwise punish licensees remains completely unchanged. The proposed CPA firm mobility law also has built-in protections requiring out-of-state CPA firms to meet our state’s requirements for peer review and majority ownership of the firm by CPA partners. These requirements ensure that incoming CPA firms meet our core requirements for quality, competence, and professional oversight.

It is also important to note that examinations of potential wrongdoing by CPAs or CPA firms tend to be complaint-driven in our state, so a registry of out-of-state firms is of limited utility. State boards of accountancy initiate investigations into home state or out-of-state CPA firms whenever they receive credible evidence meriting such an investigation, not because they have a registry of all firms.

**How would CPA firm mobility help firms? Who is most likely to benefit?**

CPA firm mobility eliminates the out-of-state registration requirements and extra fees associated with those registrations. Currently, 41 states (including ours) have different rules and requirements and associated costs relating to how out-of-state CPA firms can register to perform attest services in their states. This is a compliance nightmare for CPA firms that costs hundreds of hours to the firms and makes them less able to compete for business. Just as the passage of individual CPA mobility made regulatory oversight more uniform and less bureaucratic while maintaining strong regulatory oversight, passing CPA firm mobility would do the same for firms.

It is important to note that passing a CPA firm mobility law will not benefit every firm. Many large firms have a physical presence in every state in which they offer services, so they will still need to register in all of those states; a physical office with CPAs permanently practicing in the state always triggers an in-state registration requirement. Additionally, some firms seeking to operate across state lines may not meet the peer review and CPA ownership requirements laid out in our CPA firm mobility initiative. They will still need to register as an “out-of-state” firm, and then subsequently comply with all of our states’ requirements in order to be able to offer attest services.

It is most likely smaller and mid-sized CPA firms which will have new opportunities to compete for business across state lines under CPA firm mobility. Less red tape and more consistent rules about operating across state lines will allow these firms to spend more time on client needs rather than spending hundreds of hours navigating a maze of different and inconsistent laws and rules that may not necessarily serve the public interest.

**What about the potential loss of fees going to the state board of accountancy?**

Under a CPA firm mobility law, our state would be eliminating the extras fees associated with out-of-state firm registration. However, we already successfully addressed this issue once when we passed individual CPA firm mobility. Fourteen states have already found a working solution for this challenge when it comes to CPA firm mobility and 51 U.S. jurisdictions have figured it out for individual CPA mobility. Working with our state board of accountancy, we can once again reapportion the revenue streams used to fund the board in order to accomplish this new goal. This issue is an important one, but it can be addressed and should not stop the passage of a forward-thinking modernization of our state accountancy statute.

**What is the status of the CPA firm mobility proposal?**

In the fall of 2013, the American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA) exposed for public comment draft language in their model state act, the Uniform Accountancy Act, to allow for CPA firm mobility. After receiving several dozen comment letters from state CPA societies, state boards of accountancy, and CPA firms, the two organizations reviewed the various concerns and questions and released a new 7th edition of the UAA in the spring of 2014 for states interested in pursuing such language. Various states are now assessing if they want to update their statutes based on the model CPA firm mobility language.

**Why should our state act now?**

Our state needs to be forward thinking in creating an appropriate and strong regulatory regime for the CPA profession. We should be building off of our success with individual CPA mobility because we have another great opportunity both to protect the public interest and promote a pro-competitive environment for CPA firms operating in our state.

Nearly a third of the states are already offering these opportunities to CPA firms from our state when our firms go into their states, and we now need to honor the implicit commitment to fairness inherent when those states passed their CPA mobility laws. It is a basic “good neighbor” approach to public policy.

We already accomplished this once for individual CPA mobility and we should do it again in the context of CPA firms. We want our state to be known as a visionary leader for the profession rather than the last state onboard.