**CPA Firm Mobility: An Overview**

In 2006, CPA profession leaders from around the country agreed to a proposal to create a uniform process for CPAs to operate seamlessly across state lines. This initiative was dubbed “Individual CPA Mobility” and the underlying concept was that a CPA license should operate much like a driver’s license.

Colloquially, this model’s underlying tenets have been referred to as “no notice, no fee, no escape” because a CPA would only need a license in one state, and wouldn’t have to give any special notice or pay any fees when performing services in another state. However, the CPA also would remain subject to the laws and regulations of both the state in which he or she is licensed as well as any state in which the CPA engages in temporary practice.

At the time the proposal was developed, the idea was extremely forward-thinking. The 55 U.S. states and jurisdictions that regulate CPAs had an extremely wide variance in requirements for obtaining a permit to practice and interstate compliance was a bureaucratic nightmare for many CPAs and their firms. (Some CPAs would maintain half a dozen licenses or more in different states where they provided services to clients!)

This new idea of creating a uniform system of interstate mobility was predicated on a commitment to protecting the public interest, removing unnecessary red tape and compliance barriers, and reflecting the way in which CPAs actually perform services in the 21st century. In addition to strong regulatory oversight both in a CPA licensee’s home state and any temporary practice state, any CPA benefiting from these state laws would have to be “substantially equivalent” to all other CPAs benefitting from the laws, i.e. they would have to have a minimum of 150 hours of post-secondary education and 1 year of experience, and they must have passed the CPA Examination (these are often referred to as the “3 Es” of licensure).

Since the launch of the initiative, the results have been impressive. In less than a decade, 49 states and the District of Columbia, and the U.S. Virgin Islands have passed individual CPA mobility laws and the remaining 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 responsibilities in any. Meanwhile, CPAs are able to more easily move around the country and compete for business.

Given that individual CPA mobility is 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. Under the individual CPA mobility laws, CPAs operating within CPA firms can provide “non-attest” services in state in which they do not have a physical presence, and the provision of these services does not require the firms to register in the new state. (“Non-attest” services include items such as tax advice, financial planning, and consulting services.) However, because the individual CPA mobility initiative had not yet been tested and fully vetted, profession leaders and regulators decided to retain a requirement in the model legislation that CPA firms providing “attest” services continue to register with the state board of accountancy in any state in which they do not have a physical presence.

Attest services are unique among all the services that CPAs provide. Indeed, they are the only services in our state that generally may only be performed by a CPA, operating within a CPA firm. Attest services include: audits, reviews, engagements performed under the Statements on Standards for Attestation Engagements (SSAEs), and engagements required by the Public Company Accounting Oversight Board (PCAOB). Because a broad array of individuals beyond the client (e.g. financial institutions, shareholders, and other interested 3rd parties) may rely on the information provided in attest reports, it is critical to the public interest that only a competent, well educated, and appropriately regulated individual, operating within an appropriately regulated firm with all the associated safeguards, provides these services. The public must be able to trust that the information is reliable and appropriately prepared.

Another concern, raised in 2006, was whether there was a risk that CPA firms might end up operating under firm mobility with differing home state standards related to peer review, non-CPA ownership, and use of firm names. Regulators and profession advocates did not want firms to be able to evade these important public protections. However, much has changed around the country over the past decade, and past concerns around those issues have increasingly become moot as states have been moving toward uniform minimum standards in these three areas.

The question now before the state legislature is whether or not attest services should be treated similarly to non-attest services when performed by out-of-state firms. Profession leaders have endorsed model language for states wishing to adopt a CPA firm mobility regime. In May 2014, the American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA) released the 7th edition of their model state act, the Uniform Accountancy Act, which would allow CPA firms to operate in states in which they do not have a physical presence without registering the firm or paying new fees as long as they meet the peer review requirements and non-CPA ownership requirements of the state. Furthermore, CPA firms would follow a model exactly like that for individual CPA mobility in that they would have “no notice, no fee, and no escape.” All of the same strong regulatory protections would remain in place. However, CPA firms would not have to register as an “out-of-state” firm.

Several states, however, have already moved forward with this concept as part of their earlier debate about passing individual CPA mobility. Indeed, 14 states (or almost one-third of the country) already do not require eligible out-of-state firms to register or pay fees when providing attest services, and their state boards of accountancy are not reporting any problems in their ability to regulate the profession. Indeed, examinations of potential wrongdoing by CPAs or CPA firms tend to be complaint-driven, so a registry of out-of-state firms is of limited utility in our state or any other state. State boards of accountancy initiate investigations into home state or out-of-state firms whenever they receive credible evidence meriting such an investigation, not because they have a registry of all 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 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 non-CPA ownership requirements laid out in the CPA firm mobility initiative. They will still need to register as an “out-of-state” firm, and then subsequently comply with all of the states’ requirements in order to be able to offer 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 do not serve the public interest.

CPA firm mobility is fundamentally about creating a modern and effective regulatory regime for the accounting profession in the decades to come. It is about creating a level playing field across the states, ensuring public protection without unnecessary paperwork, and reflecting the ways in which CPAs and CPA firms operate. As the initiative moves forward, each state will have to assess if they will join in this collective effort already enacted in nearly a third of the nation or if they feel the need to continue the status quo.

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