

2009 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1147

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB1147

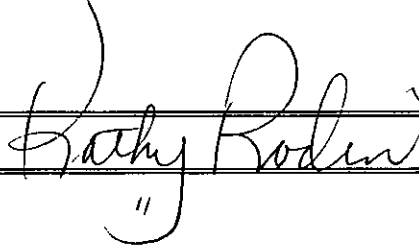
House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 01/15/2009

Recorder Job Number: 7088

Committee Clerk Signature



Minutes:

Chairman Grande: I will call the meeting back to order. We have in front of us HB 1147.

Harold Wilde, chair of the State Board of Accountancy and Associate Professor of the Chair of UND's Accountancy Dept.: Mr. Wilde provided a two-page written testimony. See attachment #1.

Harold Wilde: I could go through the bill if the committee would like.

Chairman Grande: I would like somebody; if it's you then I would like you to walk us through so we understand all the changes. But I have one question; what is New York's problem?

Harold Wilde: New York has been an outlier in many instances. They don't seem to be able to get on board for at least 5 – 6 years after the rest of nation changed. I'm not sure if it is an attitude problem or what, but they just seem to delay. California was in that same category and they are in the process of doing this now.

Rep. Dahl: How long have the other states in yellow (on the map) had this mobility enacted?

Harold Wilde: This is all in the last 3 years. It was a movement being worked on in the last 10-12 years, but finally gelled when Texas, Ohio and Missouri said they were going to do it and did and that got some others to come along. It looks like a very desirable thing to happen. But getting into the law we found we have some other things to clean up.

Rep. Amerman: You mentioned the Big Four. What are the Big Four?

Harold Wilde: There are 4 international accounting firms that basically audit 90% of the SCC registrants. They are called the Big Four. The smallest of those 4 accounting firms is about 10 times larger than the next one down the line if you look at size. They are just enormous and have international reputations. None of them have offices in ND but virtually all of them do have clients in ND. So they register with the state board and provide peer review that they have done for their firm for us and so on. I've talked to partners in these firms and they have to license themselves in 20 - 25 different jurisdictions and pay fees for each one. This would eliminate that process.

Rep. Meier: What's the (capari?) in the cost of the registration fee?

Harold Wilde: It varies from \$300 and ours is \$45 in ND. To be honest, I've been budgeting such in the last 5 years that we are at a point where in the future we may look at an increase. But at this point registrations have been going up. The number of CPA's is good. We don't anticipate that with this loss that we are going to be in a bad fiscal position. We are still in good shape. We do anticipate that there will be some loss of revenues from this, but our ND citizens who have left us and gone to other states have indicated that they will still probably keep their ND license and be licensed in 2 places.

Rep. Meier: What is the amount of the appropriation you collect annually for this? Do you know?

Harold Wilde: Our total revenue is about \$300 thousand per year. That is our CPA exam and license. I don't remember how much we anticipate the drop to be with regard to this new one. Our number of licensees has increased, our CPA exam dropped when we added the extra year of education, but that has come back up to about where it used to be. We were able to hold the exam fees at \$120 for the CPA exam. A lot of those are \$240 and up. So we have

been a state who has been frugal and try not to cost our people any more than necessary. So we are one of the less expensive states in the nation for exam fees and registration fees.

Rep. Boehning: In your testimony, 3rd paragraph from the bottom it says you are reducing your fees?

Harold Wilde: For the firm permit. We have a lot of sole practitioners in the state and there is a thing called "peer review" and we need to track all firms and the sole practitioner is also a firm. To be able to do that we have a small firm permit. And we were charging the big firm which has more CPA's, but they never gave any enforcement problems. The trouble came from the local so we reduced the fee for just a firm permit period. You still have to license, like I licensed myself as a CPA, but I also licensed my firm, but it's the same. It's a minor expenditure, but it allows us to maintain the database for peer review. It is kind of a cost payback.

Rep. Boehning: Is that in the bill; the reduction or are you going to do that later?

Harold Wilde: By rule.

Rep. Schneider: If this all goes through and you pass a CPA exam, would you be able to practice in any state?

Harold Wilde: Yes. It is a national CPA exam. The exam is the same, computer drive, it randomly selected series of questions with a certain difficulty level so everybody gets a slightly different one but you test the same things and you test at testing centers only. We determine whether or not you have the education mandate in order to test.

Rep. Schneider: So is there a national association that sets the standard for passage amongst the states and scopes of practice?

Harold Wilde: National Association State Board of Accountancy in conjunction with the ASCPA and testing experts tried to maintain that standard of passage that we have when we use the old percentage that 75% is one of the changes we taking out because today we don't

get a 75% raw score. We really haven't for probably for 15 years. We've used a curve to come up with the 75% and that's one of the reasons why we have asked for that to be removed because it doesn't fit, what happened 30 years ago. It is the same, it is the equivalent of that but it does use a curve. At one time the written exam we had a goal pass rate of 30% and was curved to that. Now each of the difficulty sections is looked at to come up with that 75%. But it doesn't mean I got 75% of the questions right. It is the equivalent given the difficulty level.

Rep. Schneider: Will they set a standard amongst the 50 states?

Harold Wilde: We have. All of us have the same standard.

Rep. Nathe: Is it \$45 for just that firm or \$45 per CPA out of that firm?

Harold Wilde: Per CPA. Yes. They have to tell us whose going to come into work. And then they license those people.

Rep. Schneider: Is it just for that job or for a whole year?

Harold Wilde: The whole year. We don't really have a temporary practice permit. It is either a permit or not a permit.

Chairman Grande: If you would just highlight 3 changes in the bill.

Harold Wilde: The big one is the recognition of our national organization's database which is this qualification table service. They review the state laws of all the states and indicate whether or not they are potentially equivalent with respect to those reviews. Then we have a little bit on page 2, some definition changes from that to be changed a little bit. "Practice privilege" needs to be cleaned up because we no longer mandate that they license themselves. "Principal place of business" needs to be cleaned because only those entities with an office in the state have to have a "firm" permit.

Chairman Grande: The comment line language on line 14 has been struck, what permit was that? The one that has a 2 different price permits?

Harold Wilde: We have a permit for the firm and then we have registration license fee. Those 2 things are different. All of us that practice within the state pay that CPA licensing fee and if you are a "firm", like Eide Bailly for example has a whole bunch of CPA's but they pay a firm fee. And I pay the same fee as a firm. And I have to operate as a firm in the state so we do have sole practitioners that will pay an extra 10 dollars. The bigger firm won't pay 10 dollars per CPA. We did try to go through the process of even eliminating the firm, because it appeared to be so difficult we decided to leave it in there with a nominal fee. It is the firms within the state that pay the firm permit. But all of us if we expect to sell auditing accounting services to the public, we'll have to have a firm permit as part of our practice process as well as being licensed. So I have my CPA certificate on the wall and my "firm" permit on the wall. On page 3, line 16 "substantial equivalency" is giving better information in regards to what that means taking into account one of the important things we decided as a nation-wide body was that you didn't have to get the education before the experience; that we could have someone who got the experience and then the education. And basically you have to have the exam taken after education, but the experience side of it could happen before or after. So that's the sequence. There wasn't an absolute sequence of education, exam, and experience. That experience could be moved. Sometimes we do get people that will practice with a CPA firm several years and then decide to become a CPA. So they have fulfilled the education part and then pass the exam. The "reciprocity" on page 4, part b, we will eliminate reciprocity. That was a way of someone moving into the state. With substantial equivalency in a driver's license, we don't need to do that. They can come into the state with substantial equivalency and if they're not substantially equivalent as a state, the individual can become substantially equivalent by having the appropriate education, passed the exam and having appropriate experience. Our national organization provides a national database that individuals can become substantially

equivalent, other than just states. So individuals that have met the needs we have can become practicing accountants within our state without necessarily coming from a state that had it. And the last part of that one is a compromise to those of us who don't have 150 semester hours. I do with a PhD. but if I got an undergraduate 10 years ago and passed the exam, had the experience and then I move, if I don't come from a substantially equivalent state, I need some grandfathering in and that's the grandfathering in side of it. On page 6 we got rid of the 75% because really it's an equivalent. Next session, page 8, we are getting rid of section 16 which is how you get licensed from another state and from that we brought in the whole aspect of substantial equivalency. So the next couple pages really is the substantial equivalency side of it; designating what that means and that we utilizing the national database to do that.

Chairman Grande: What is the purpose of date certain of January 1, 2012?

Harold Wilde: In the grandfathering in, some of us didn't want that particular and some states didn't want that at all. It was a compromise saying we will allow a movement for those of us that were earlier who have been out in the practice for 10, 15, 20 years. It was a part of the grand-fathering in. We wanted that to stop at a certain point. It was a compromise date. We will go ahead and grandfather, however, we're going to pressure people if they are going to practice in the state of ND, we hope it would pressure that state to change their rules, such as they became substantially equivalent and then we have a similar kind of transfer to practice. But that was a compromise between those who didn't want anything and those who wanted just a total grand-fathering. Whether it will work or not is still subject to question. On page 9 and 10, are the permit to practice. We looked at eliminating that, and we had to modify it a little bit. We couldn't eliminate that because of peer review so we just indicated what a permit to practice is. You may have a circumstance where you can be a CPA but not license yourself. For example, my profession outside of being a public accountant in education, I want to keep

my CPA, I want to have it on the wall, but I'm not a practicing accountant. So I don't get a firm permit. I do not expect to go out and have clients in public accountancy. If they do, they have to get a firm permit. So this tried to delineate that in clear terms. The last few pages are simply to get those terms practice, privilege and holder in the law.

Rep. Amerman: On page 3, can you tell me the significance and the location in why the Commonwealth and Northern Mariana Islands?

Harold Wilde: There are 2 new jurisdictions. We have the 50 states and DC so we have 51 jurisdictions that regulate accountancy plus Puerto Rico; the Territories. These are new ones added so these Commonwealth are those that aren't a state or DC. They are jurisdictions that we recognize as regulating accounting under the same law that we got. Since it is not a state, we have separated as these extras so we specifically named them.

Chairman Grande: I think he is wondering where is the Northern Mariana Islands?

Harold Wilde: I don't know where that is either.

Rep. Nathe: Your bill is clarifying disciplinary matters, what are those?

Harold Wilde: Anybody who comes into our state whether they are licensed as a ND CPA is subject to our laws, our rules, and our jurisdiction. If somebody comes in and does an audit, and that is audit is not done appropriately and it was an audit of a ND client, not only does their home state where they are licensed as jurisdiction to discipline them, but we have jurisdiction as well.

Rep. Meier: Don't we currently have that already?

Harold Wilde: Because they become licensed; but this takes away for that need to be out of state accountant to be licensed. So we let them practice without a ND license per say, just like a driver's license. We want to make sure they understand that we still have authority over any

misstep in the theater of ND, not just their home state. And other states do this to our states' CPA's.

Rep. Schneider: How do you tell another state (NE) that you are revoking a license?

Harold Wilde: We don't tell them to revoke, what we do is we tell them what happened here and what our decision was and then they do an investigation and decide if that individual may still be licensed and practice. So we revoke that license in our state.

Rep. Schneider: So the other state (NE) would start the disciplinary action and ND would do that as well.

Harold Wilde: Yes, so that person could end up with fines and other sorts of things. Many times what we find is not an intentional fraudulent act, but they just don't keep up on the education.

Chairman Grande: For the committee, north of Papua New Guinea is Guam and north of that is the Northern Mariana Islands.

Harold Wilde: Because these standards that we are dealing with are national, this driver's license makes a lot of sense. It really reduces the complexity of the paper work for our citizens who are CPA's and for the clients in the state of ND who would like to use a CPA firm that they choose, not just one from ND.

Rep. Dahl: Referring to the map, has there been any resistance or concerns from some groups?

Harold Wilde: There is a whole bunch of states who have resistance because it takes away some of your ability to collect revenue. That was the number one issue. A number of states relay on this "visiting CPA revenue" and we didn't have nearly as much as KS had. They had a lot of CPA's coming into their state so they had a lot of revenue tied to it. And that had to be overcome. As you noticed it has been overcome by a lot of them. What happened across the

country is when you remove fees from one you put another one on, so the individuals in KS pay a little bit more in KS, but they don't have to pay in OK. The net effect, we think is that the total cost is down for CPA's across the country.

Rep. Boehning: For those who are disciplined, is there a record of that so other states can refuse to license a CPA? Are there open records?

Harold Wilde: I don't believe there is at this point. The database must be there. A part of the problem is that it contains confidential information in it. We are trying to make it available without a lot of details so if the state board wants to look can go find out what that was. We can do it now, but it is cumbersome.

Rep. Boehning: I don't know how you categorize them, but if there is different levels of discipline, but you can say, whatever happened here, you can ask the question instead of not having to go back to each state they are licensed in. It's all going to be in the database?

Harold Wilde: That is the intent. We are working on it.

Rep. Nathe: As part of the applicant application process, are these people to be given background checks at all?

Harold Wilde: We haven't in the past. It is a consideration. Some states do and most do not. It is one of the changes happening across the country; is to do background checks. We've talked about it at our state board, but we haven't implemented the background check.

Rep. Froseth: If someone committed an act in FL and was refused a ND license, could they continue to apply until they get a license?

Harold Wilde: That is why we want the national database. Right now attorneys are determining how to set that up. It will happen maybe in a year or so.

Chairman Grande: Anyone else who wished to testify in favor of HB1147?

John Mongeon, CPA and shareholder with Brady, Martz & Associates and member of the board of directors of ND Society of CPA's: John provided a one-page written testimony, see attachment #2 in support.

Chairman Grande: Anyone else in favor? Anyone oppose? Close the hearing on HB1147.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB1147

House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 01/15/2009

Recorder Job Number: 7096

Committee Clerk Signature



Minutes:

Chairman Grande: I will call the meeting back to order and will start with looking at HB1147 relating to certified public accountants and practice of public accountancy. It kind of reminded me a little bit of taking a multi-state board.

Chairman Grande: Is there any discussion?

Rep. Karls: Motion was made for do pass on HB1147.

Rep. Wolf: Seconded the motion.

Chairman Grande: Asked if there was any other discussion on HB1147.

Rep. Dahl: I would just like to note that he was one of the more engaging CPA's.

Chairman Grande: I have to agree and that is probably why he is in front of the class. Any other discussion? Hearing and seeing none I will have the clerk call for the roll.

The roll call vote was taken: **Yea: 12** **Nay: 0** **Absent: 1**

Representative Schneider will carry the bill.

Date: 1-15-09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1147

House **Government and Veterans Affairs** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP

Motion Made By KOUS Seconded By WOLF

Representatives	Yes	No	Representatives	Yes	No
Chairman Grande	✓		Rep. Amerman	✓	
Vice Chairman Boehning	✓		Rep. Conklin	✓	
Rep. Dahl	✓		Rep. Schneider	✓	
Rep. Froseth	✓		Rep. Winrich	✓	
Rep. Karls	✓		Rep. Wolf	✓	
Rep. Kasper					
Rep. Meier	✓				
Rep. Nathe	✓				

Total (Yes) 12 No 0

Absent 1

Floor Assignment Schneider

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1147: Government and Veterans Affairs Committee (Rep. Grande, Chairman)
recommends **DO PASS** (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
HB 1147 was placed on the Eleventh order on the calendar.

2009 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1147

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1147

Senate Industry, Business, and Labor Committee

☐ Check here for Conference Committee

Hearing Date: March 11, 2009

Recorder Job Number: 10718, 10721, 10728

Committee Clerk Signature

Minutes:

Troy Schuchard

Chairman Klein: Opened the hearing on HB 1147, all members present.

Jim Abbott: Director of the State Board of Accounting introduced and testified in support of HB 1147. (See Attachment #1 and colored map)

Chairman Klein: As North Dakota would pass this, all we are doing is tweaking. We are not adding any additional education requirements or raising the bar at all?

Jim Abbott: No changes in our internal standards. In fact it is eliminating some of the paperwork requirements for incoming folks, as they have done for us.

Senator Potter: Substantial Equivalency, are there any states where their requirements are?

Jim Abbott: There are three legs to the stool, if you will; they are: education, experience, and examination. Education is the only leg that is not consistent around the nation. Off the top of my head I cannot tell you which states do not mandate the 150 credit hours of continuing education?

Senator Potter: In those cases, their license to practice would not work here?

Jim Abbott: Correct

Chairman Klein: So what you're saying is if you don't have 150 hours, which is one chink against you getting the "drivers" license in North Dakota?

Jim Abbott: That is correct. However, individually if you come one of those states, an individual could meet the requirements themselves and work legally. Just not under the state's umbrella. Once the State's become substantially Equivalent, everyone in the State gets that "cloak", even though they may have been in practice for 25 years, may have become a CPA under a different standard.

Senator Horne: How many CPA's are licensed in North Dakota? Of that number, how many are out of state?

Jim Abbott: About 3000 licensed in North Dakota and about 50% are based out of State.

Senator Horne: Can I be licensed and practice in numerous states at the same time?

Jim Abbott: Yes they can be licensed in several states. This mobility practice will enable them to not necessarily do that anymore but they can.

Senator Behm: At this time, if you would go to another state, you would have to take their test?

Jim Abbott: No, the test is something you do not have to repeat.

John Mongeon: CPA and shareholder with Brady, Martz, & Associates testified in support of HB 1147. (See attachment #2)

Chairman Klein: Will you see a decline in revenue for the Association? You had to do all these other things to get licensed and the cash flow.

John Mongeon: We can talk in generalities because I don't know the specifics, but there will be a slight decline. I don't think it will be significant.

Jim Abbott: There are 2 organizations this will impact; the one it will impact the most fiscally is the Board of Accounting. Theoretically, we could lose all of the non-North Dakota licensees.

We don't know that yet, it will take time. There will be some fee increases for the domestic CPA's.

Senator Potter: In 5 years from now, the beneficiaries from this will be the larger firms that can afford to also work in other states. What are your thoughts on that?

Jim Abbott: That is theoretically true. Naturally, firms have a lot more experience, resources, and ability than a one person operation. However, by having this available around the nation, what this does is gives us the opportunity to easily do this. There is value in just having the opportunity.

Chairman Klein: When you say \$45, you have flexibility to go higher than that, don't you?

Jim Abbott: Yes, up to \$100.

Senator Wanzek: I would expect that if there was a fiscal impact, we would have a fiscal note. And beings that you all are CPA's, I would have thought it would be perfect. The fact there is no fiscal note, is that because you are anticipating you can raise the fees to offset the costs if need be.

Jim Abbott: The most immediate reason why is we weren't asked to provide one.

Senator Wanzek: Motion for a Do Pass

Senator Horne: Seconded

Senator Andrist: I move an amendment to strike the words "public accountant" from subsection 6. The reason being: you train as an accountant, go to school as an accountant, I don't think it is constitutional to prohibit that person from calling themselves an accountant. Since it is in conflict the rule anyway, I don't think it does any harm to them.

Senators Wanzek and Senator Horne withdrew their motions.

Chairman Klein: Closed the hearing on HB 1147.

Chairman Klein: Opened discussion on HB 1147.

There was debate as to why public accountant is creating an issue. Senator Andrist is spearheading this and the debate transpires. Discussion held on the wording of Accountant or Public Accountant language.

Senator Andrist: Moved on amendment

Senator Potter: Seconded

Chairman Klein: Motion to amend failed 2-5

Senator Potter: Motion for a Do Pass on HB 1147

Senator Nodland: Seconded

Chairman Klein: Motion for a Do Pass is approved 7-0, **Senator Klein** to carry.

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Date: 3/11/09
Roll Call Vote #: 1**2009 SENATE STANDING COMMITTEE ROLL CALL VOTES**
BILL/RESOLUTION NO. 1147

Senate

Committee

Industry, Business and Labor☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

**Pass****Do Not Pass****Amended**

Motion Made By _____ Seconded By _____

Senator	Yes	No	Senator	Yes	No
Senator Jerry Klein - Chairman	✓		Senator Arthur H. Behm		✓
Senator Terry Wanzek - V.Chair		✓	Senator Robert M. Horne		✓
Senator John M. Andrist	✓		Senator Tracy Potter		✓
Senator George Nodland		✓			

Total (Yes) 2 No 5Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

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Date: 3/11/09
Roll Call Vote #: 2**2009 SENATE STANDING COMMITTEE ROLL CALL VOTES**
BILL/RESOLUTION NO. 1147

Senate

Committee

Industry, Business and Labor☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☒ **Pass** ☐ **Do Not Pass** ☐ **Amended**

Motion Made By _____ Seconded By _____

Senator	Yes	No	Senator	Yes	No
Senator Jerry Klein - Chairman	✓		Senator Arthur H. Behm	✓	
Senator Terry Wanzek - V.Chair	✓		Senator Robert M. Horne	✓	
Senator John M. Andrist	✓		Senator Tracy Potter	✓	
Senator George Nodland	✓				

Total (Yes) 7 No 0Absent 0Floor Assignment Senator Klein

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 11, 2009 3:01 p.m.

Module No: SR-44-4620
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1147: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends
DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1147 was placed
on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1147

Mobility Legislation
TESTIMONY FROM STATE BOARD OF ACCOUNTANCY

Jan. 15, 2009

Madame Chair; Committee members

My name is Harold Wilde, chair of the State Board of Accountancy. I work full time as an associate professor in and I am the Chair of UND's Accountancy Department.

The Board of Accountancy is proposing this legislation, to enhance CPA mobility. North Dakota is part of a nationwide movement to eliminate registrations and fees that basically duplicate what a CPA does in their home state. Since the fees and paperwork are repetitive, while the CPA requirements are common, it makes sense to trim the duplication. Doing so makes the CPA's service of out-of-state clients less cumbersome. On the map provided, the yellow colored states are those who have already enacted mobility provisions.

As can be noted by the map, changes like those in this bill have already been made in over half the states, including Minnesota. Those changes have made it possible for North Dakota CPAs to practice in those states without repeating the registration processes they already completed here at home. Similar proposals are expected in numerous other states this year, including our other neighbors South Dakota and Montana. This bill is "doing our part" in this national movement. This "driver's license" approach will then be available for CPAs from states that have CPA requirements that are substantially equivalent to the Uniform Accounting Act, which North Dakota is, or for CPAs who personally hold such equivalency status.

This bill doesn't open a new door to competition from out of state CPAs. Out of state CPA firms already practice in North Dakota. But they have been expected to license the firm and the individual personnel who will work in the state -- basically repeating what they've already done in their home state, and forcing the firm to pay additional fees.

With each state that implements this paperwork-reduction process, another market becomes accessible to North Dakota CPAs; without the added layer of paperwork. The end result is similar to a driver's license -- you are free to drive in other states, without stopping to apply for another license.

National accounting and professional standards currently apply for a ND and a visiting CPA. With this bill, some discipline matters are clarified. The bill specifies that by working in ND under substantial equivalency, the CPA **and their firm** agree to North Dakota jurisdiction **and discipline authority**. Language is also added to the bill whereby if a CPA loses home-state licensure, their right to practice in ND is also rescinded.

The bill also eliminates firm permits for visiting firms. Firms based in state will still have a permit, but the fee has been reduced to \$10. In addition, there are some definition edits, changes in the methods for obtaining reciprocity, and the removal of a reference to an Exam grade percentage.

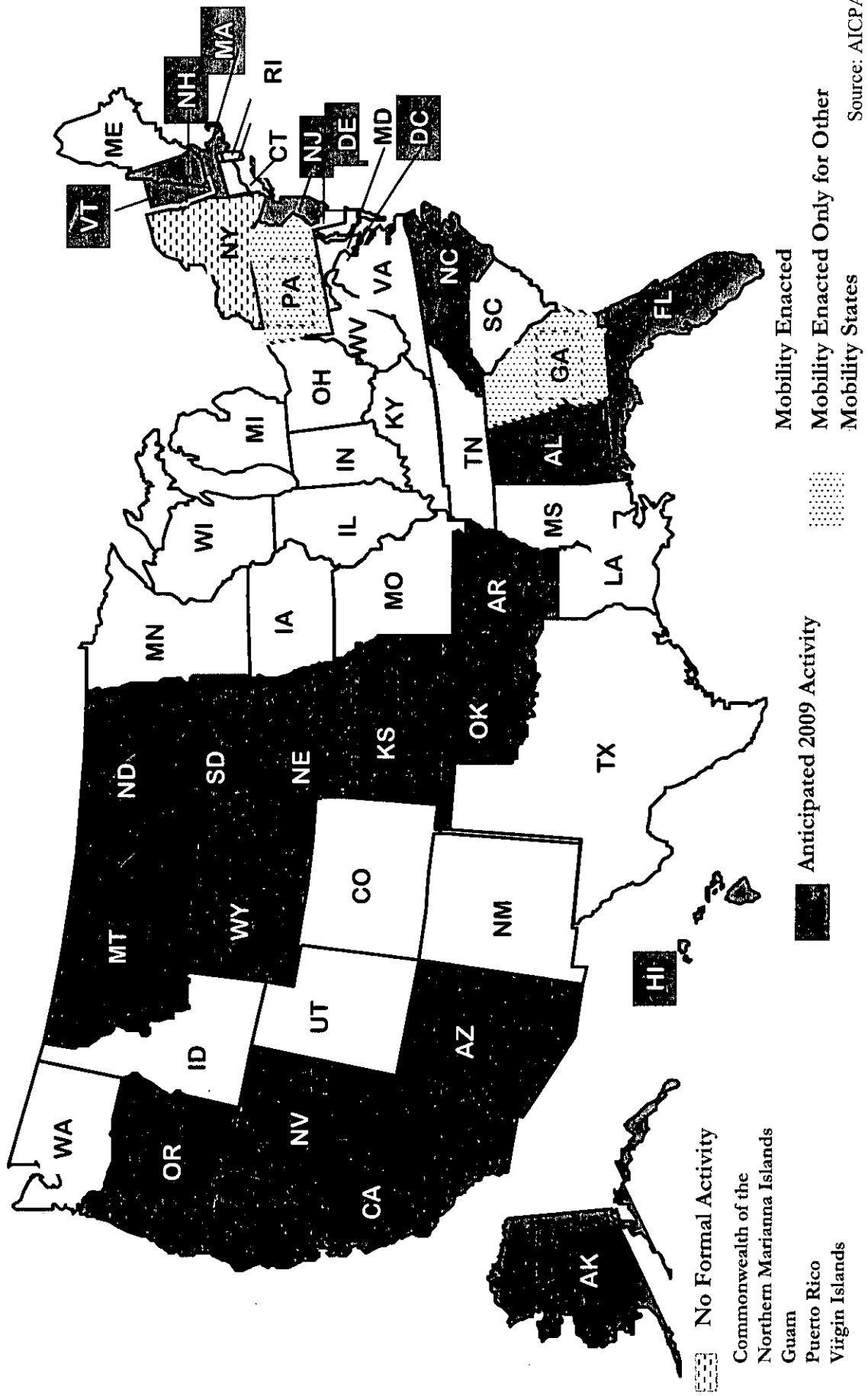
The bill was developed by a state task force of three groups -- the Accountancy Board, CPA Society, and Society of Accountants.

In summary, the bill enables CPAs from substantially equivalent states to work here without duplicate registration & fees, and without obtaining a firm permit. In addition, the bill clarifies disciplinary matters, and also makes changes in the definition section, reciprocity, and exam sections.

*Attachment #1
page 1*

Mobility in the CPA Profession

Anticipated Activity 2009/10



*Attachment #1
page 2*

Mobility Legislation
TESTIMONY from the North Dakota Society of CPAs

Madam Chair and members of the Committee:

I am John Mongeon, CPA, and a shareholder with Brady, Martz & Associates, a regional public accounting firm in North Dakota. I am also a member of the board of directors of the North Dakota Society of CPAs.

The state CPA Society supports this mobility bill. Members of our Society participated in the state task force that drafted this bill, and we have no issues or concerns.

As a licensee of North Dakota, and several other states, I know first hand the wisdom and common sense that this bill represents. When I sought a license in the State of Washington, it was because I knew I would be involved in serving a client there, and was expected to be licensed there to satisfy their requirements.

But the licensure process was pretty much exactly what I went through here in North Dakota. I filed an application with much of the same information. I had to supply an educational transcript, 20 years after graduating from UND, in addition I had to take an ethics exam and pass the exam with at least a 90% score. I paid a substantial application fee of approximately \$250, and I supplied documentation of all the continuing education I had attended over the prior three years, which consisted of approximately 180 hours of education. Then I waited for confirmation of acceptance.

It was certainly do-able, but virtually a repeat of everything, and more, I had already done in North Dakota. And every year since, I've had to re-file, pay fees again, supply all the details of my continuing education – the same things I do at home with the state Board of Accountancy. So, every year the repetition and duplication continues. This is just an example of one state. Our firm has many CPAs that must comply with the licensing requirements of approximately 13 states, all of which have not passed mobility legislation. The compliance requirements for this can be quite costly and cumbersome.

I heartily support the bill. To me, it represents good sensible regulation. And I commend the Board of Accountancy for supporting sensible regulation, even though it would have been easier to just leave things as they are.

I agree with Dr. Wilde, that this doesn't really relate to competition. Firms are already working here, we compete with them continually. We're OK with that. It actually helps us in some ways. But I certainly like the idea of being able to go to their states without the regulation headaches that looks very unnecessary to me.

As a firm, and as a practicing CPA, we support the bill.

Thank you and I would be happy to answer any questions you may have.

Attachment #2

Jeff Engleson

From: Sherre Sattler/NDSCPA [ssattler@invisimax.com]
To: Thursday, January 15, 2009 5:06 PM
jengleson2@bis.midco.net
Subject: Urgent Legislative Action Needed

The CPA mobility bill (HB 1147) has just come out of committee with a "Do Pass" recommendation. The bill will now go to the entire House for a vote as early as tomorrow.

We are asking that you please contact your district house representatives or any representatives you personally know tonight or ASAP to show your support for this bill.

Here are a few highlights you can mention:

- ☐ The Board of Accountancy has submitted this bill to help facilitate interstate mobility for CPAs.
- ☐ 28 states have already enacted similar legislation (including our neighbor Minnesota)
- ☐ As each state enacts this legislation, another state becomes accessible to North Dakota CPAs without that second layer of similar paperwork.
- ☐ This mobility legislation changes the regulation approach to more of a driver's license system, where you are free to travel in other states, without stopping at the border to apply for another permit and pay another fee.
- ☐ National accounting standards still apply for a visiting CPA, and the bill specifies that by working here, the CPA and their firm agree to N.D. jurisdiction and discipline authority.
- ☐ This bill was developed through a state task force that included members of the Accountancy Board, the CPA Society, and the Society of Accountants.

For legislator contact information please go to www.legis.nd.gov/assembly/61-2009/dist-legis.html

We are only asking that you contact members from the House of Representatives at this time.

If you have any questions, please contact us. After 5:00 you can contact Jim Abbott at 701-740-5967. For more information on this bill go to <http://www.nd.gov/ndsba/Mobility.htm>

North Dakota Society of CPAs
Toll Free: 877-637-2727
Email: mail@ndscpa.org

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Mobility Legislation
TESTIMONY FROM STATE BOARD OF ACCOUNTANCY
March 11, 2009

Chairman Klein; Committee members

My name is Jim Abbott, and I work with the Board of Accountancy as its director.

The Board of Accountancy is proposing this legislation, to enhance CPA mobility. North Dakota is part of a nationwide movement to eliminate registrations and fees that basically duplicate what a CPA does in their home state. Since the fees and paperwork are repetitive, while the CPA requirements are common, it makes sense to trim the duplication. It makes the serving of out-of-state clients less cumbersome.

On the handout map, the yellow colored states are those that have enacted the mobility provisions. The total is now 35 states, including our neighbors Minnesota and South Dakota. Provisions like those in this bill have made it possible for North Dakota CPAs to practice in those states without repeating the registration processes they already completed here at home. This bill is "doing our part" in this national movement. This "driver's license" approach will then be available for CPAs from states that have requirements substantially equivalent to the Uniform Accounting Act, or for CPAs who personally hold such equivalency status.

The bill doesn't open a new door to competition from out of state accountants. Out of state firms already practice in North Dakota. But they have been expected to license the firm and the individual personnel who work here – basically repeating what they've already done in their home state, and forcing them to pay additional fees.

With each state that implements this paperwork-reduction process, another market becomes accessible to North Dakota CPAs, without the added layer of similar paperwork. The end result is similar to a driver's license -- you are free to drive in other states, without stopping to apply for another license.

National accounting and professional standards will apply for a visiting CPA, as well as in state CPAs, and with this bill, some disciplinary matters are clarified. The bill specifies that by working in this state under substantial equivalency, the CPA and their firm agree to our jurisdiction and discipline authority. Language is also added such that if a CPA loses home-state licensure, they stop offering services here.

The bill also eliminates firm permits for visiting firms. Firms based here in the state will still have a permit, but that fee has already been reduced to \$10. In addition, the bill has some definition edits, changes in reciprocity methods, and removal of reference to an Exam grade percentage.

The bill was developed by a state task force of three groups -- the Accountancy Board, the CPA Society, and the Society of Accountants.

In summary, the bill enables CPAs from substantially equivalent states to work here without duplicate registrations & fees. Plus there are some changes in definitions, discipline, a grade percentage, and in reciprocity methods.

2009



Mobility Legislation

TESTIMONY from the North Dakota Society of CPAs

Mr. Chairman and members of the Committee:

I am John Mongeon, CPA, and a shareholder with Brady, Martz & Associates, a regional public accounting firm in North Dakota. I am also a member of the board of directors of the North Dakota Society of CPAs.

The state CPA Society supports this mobility bill. Members of our Society participated in the state task force that drafted this bill, and we have no issues or concerns.

As a licensee of North Dakota, and several other states, I know first hand the wisdom and common sense that this bill represents. When I sought a license in the State of Washington, it was because I knew I would be involved in serving a client there, and was expected to be licensed there to satisfy their requirements.

But the licensure process was pretty much exactly what I went through here in North Dakota. I filed an application with much of the same information. I had to supply an educational transcript, 20 years after graduating from UND, in addition I had to take an ethics exam and pass the exam with at least a 90% score. I paid a substantial application fee of approximately \$250, and I supplied documentation of all the continuing education I had attended over the prior three years, which consisted of approximately 180 hours of education. Then I waited for confirmation of acceptance.

It was certainly do-able, but virtually a repeat of everything, and more, I had already done in North Dakota. And every year since, I've had to re-file, pay fees again, supply all the details of my continuing education – the same things I do at home with the state Board of Accountancy. So, every year the repetition and duplication continues. This is just an example of one state. Our firm has many CPAs that must comply with the licensing requirements of approximately 13 states, all of which have not passed mobility legislation. The compliance requirements for this can be quite costly and cumbersome.

I heartily support the bill. To me, it represents good sensible regulation. And I commend the Board of Accountancy for supporting sensible regulation, even though it would have been easier to just leave things as they are.

This bill doesn't really relate to competition. Firms are already working here, we compete with them continually. We're OK with that. It actually helps us in some ways. But I certainly like the idea of being able to go to their states without the regulation headaches that looks very unnecessary to me.

As a firm, and as a practicing CPA, we support the bill.

Thank you and I would be happy to answer any questions you may have.

Prepared for Senator Andrist
March 11, 2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1147

Page 13, line 30, overstrike ""public accountant",

Renumber accordingly