

Good morning, Chairman Warrey and members of the Industry, Business and Labor Committee.

My name is Austen Schauer, District 13, West Fargo.

**House Bill 1156** would allow CPA firms to be owned by ESOPs.

When the original North Dakota law was enacted, the purpose was to protect the public by requiring Public Accounting Firms be owned and controlled by individuals licensed as CPA's. This requirement was industry standard.

Qualified Retirement Plans such as ESOP's, (employee stock ownership), were not around, so there was no need for the law to address potential ESOP ownership.

Most states, however, have recognized state laws need to be amended to allow ESOP ownership **if** there was the ability to "**look through**" the ESOP, and show the licensed CPA's still control and are the beneficiaries of the ESOP.

Some states like Minnesota have taken the stance that their laws do not need to change because they believe the essence of the law is still being followed.

Other states, however, such as Nebraska have made slight adjustments (like **HB 1156**), to make it clear to all.

Why give ESOP ownership to CPA firms? Incentives. Financial incentives for employees. Incentives to grow a CPA firm and incentives to retain employees.

ESOP's have worked well for many successful businesses in North Dakota such as Border State Electric and Scheels.

The specific changes in **HB 1156** are found in **Section 2, subsection 3 line 24** which includes "**an employee stock ownership plan.**"

In **Section 3** on page two under **Permit to practice - Firm wholly owned by qualified plan, lines 6-19** outline the criteria for CPA or Licensed Public Accounting firms to be ESOP owned.

This bill is supported by the **ND State Board of Accountancy** and the **ND Society of CPA**. It was reviewed and approved by the Attorney General's office.