

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

House Bill 977  
Economic Matters

(Delegate Krebs, *et al.*)

Education, Health, and  
Environmental Affairs

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**Licensed Out-of-State Certified Public Accountants - Authority to Practice  
Certified Public Accountancy**

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This bill authorizes a certified public accountant (CPA) licensed in another state to practice certified public accountancy in Maryland provided the individual: (1) verifies that the individual's principal place of business is located outside of Maryland; (2) pays a \$50 notification fee; and (3) the Board of Public Accountancy verifies that the individual meets specified licensing and educational requirements. By notifying the board of intent to practice public accountancy in Maryland, the individual is consenting to regulatory authority of the board. Such an individual may represent to the public that he or she is authorized to practice certified public accountancy in Maryland. The right to practice in Maryland lasts two years and may be renewed by notifying the board and paying a renewal fee of \$50.

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**Fiscal Summary**

**State Effect:** Potential increase in general fund revenue. The amount of any increase depends on the number of out-of-state licensed CPAs who are authorized to practice in Maryland each year.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** The board may issue a limited license for the practice of certified public accountancy on a specific job to any applicant who: (1) is licensed to practice certified public accountancy in another state or foreign country; (2) is not a resident of Maryland; (3) does not have a place of business in this State; (4) submits to the board an application on the form that the board provides; and (5) pays an application fee of \$25.

A limited license authorizes the licensee to practice certified public accountancy only for the specific job for which it was issued. Any statement or report relating to the services provided in Maryland is required to be signed in and issued from the individual's out-of-state office on a form or stationery which includes the address of that office.

The board is required to set the term for each limited license issued; however, the term for a limited license may not be set for more than one year. A limited license becomes effective and expires on the dates set by the board. Subject to specified hearing provisions, the board may deny or revoke a limited license for any ground as may be applicable.

**Background:** The State Board of Public Accountancy qualifies, licenses, and regulates individuals seeking licensure to practice as a certified public accountant and firms that offer public accounting services. The board investigates complaints against licensees as well as complaints related to unlicensed practice. The board may issue a reprimand, suspend or revoke a license, and assess a civil penalty up to \$5,000 for violations of the law and regulations.

In 1997, the Institute of Certified Public Accountants (AICPA) and the National Association of State Boards Accountancy (NASBA) approved significant changes to their jointly published Uniform Accountancy Act (UAA) and UAA Rules. UAA is a model bill and set of regulations that AICPA and NASBA designed to provide a uniform approach to regulation of the accounting profession.

The changes made to UAA reflect the recommendations of the AICPA/NASBA Joint Committee on Regulation of the Profession. The report included many suggestions for improving the state-based regulatory system of the profession.

One of the more significant changes in UAA related to providing greater ease of mobility across state lines for CPAs both in person and electronically. One important factor related to this approach is a concept called substantial equivalency which was originated by NASBA.

Under substantial equivalency, a CPA who has a license in good standing from a state that utilizes CPA certification criteria that are essentially those outlined in UAA would be qualified to practice in another state that is not the CPA's principal place of business. To

use the concept to obtain a reciprocal license, a CPA must personally have qualifications that are substantially equivalent to those in UAA.

Individual CPAs who practice across state lines, or who serve clients in another state electronically, would not be required to obtain a reciprocal license if they hold a valid license from another state and if their state of licensure is deemed substantially equivalent, or if they are individually deemed substantially equivalent. In such a case, the CPA would be required to notify the state board in the state in which the service is to be performed.

In order to protect the public, provisions in UAA allow state boards to discipline licensees from other states who practice in their state under substantial equivalency.

**State Fiscal Effect:** The bill would streamline the process of authorizing out-of-state CPAs to practice in Maryland provided they meet specified criteria. Currently, an out-of-state CPA has to apply for a limited license which is good for up to one year and one engagement (job) and pay a \$25 fee.

Under the bill, this process would still apply to out-of-state CPAs from states that do not have substantially similar licensing requirements to Maryland, such as Delaware and Virginia. However, the bill would allow CPAs from states with substantially similar requirements to practice in Maryland if the CPA: (1) verifies that the individual's principal place of business is located outside of Maryland; (2) pays a \$50 notification fee; and (3) the State Board of Public Accountancy verifies that the individual meets specified licensing and educational requirements.

The bill could result in an increase in general fund revenues, but the amount of any increase cannot be reliably estimated and depends on the number of out-of-state CPAs authorized to practice in Maryland each year. The Department of Labor, Licensing, and Regulation (DLLR) indicates that there are currently 23 out-of-state CPAs practicing with a limited license. The fee for a limited license is \$25 per year, per engagement.

*For illustrative purposes only*, if all 23 out-of-state CPAs become authorized to practice in Maryland under the bill rather than under existing provisions for limited licensure, general fund revenues would increase by \$575 in the first year and would decrease by an equivalent amount the next year. However, to the extent the bill encourages more out-of-state CPAs to come to Maryland, general fund revenues would increase accordingly. This effect cannot be reliably estimated.

DLLR advises that it would establish an online application and verification system to implement the bill's requirements, which would make the process easier for applicants and the board.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** SB 704 (Senator Dyson) – Education, Health, and Environmental Affairs.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Institute of Certified Public Accountants; Department of Legislative Services

**Fiscal Note History:** First Reader - March 7, 2005  
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