

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 513 (Senator Ellis, *et al.*)

Education, Health, and Environmental Affairs

Economic Matters

State Board of Public Accountancy - Firm Permits - Attest Services

This bill authorizes an out-of-state public accountancy firm to perform all (instead of just two) “attest” services in the State without a firm permit issued by the State Board of Public Accountancy, under specified conditions.

Fiscal Summary

State Effect: Special fund revenues for the State Board of Public Accountancy Fund decrease by about \$12,800 in FY 2020 and about \$17,000 annually thereafter. Expenditures are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	(\$12,800)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)
Expenditure	0	0	0	0	0
Net Effect	(\$12,800)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None. The bill benefits out-of-state businesses.

Analysis

Current Law: “Attest” means to provide the following services:

- a compilation; (*existing exemption*)
- a review of a financial statement performed in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants (AICPA); (*existing exemption*)

- an audit or other engagement performed in accordance with the Statements on Auditing Standards issued by AICPA; *(no exemption)*
- any examination, review, or agreed-upon procedures engagement to be performed in accordance with the Statements on Standards for Attestation Engagements issued by AICPA; and *(no exemption)*
- any engagement performed in accordance with the Auditing Standards of the Public Company Accounting Oversight Board. *(no exemption)*

Firm Permits – General Requirements and Exemptions

Generally, a firm must hold a permit issued by the board if the firm:

- has an office in the State that performs attest services;
- has an office in the State that uses the title “CPA” or “CPA firm”; or
- performs the nonexempt attest services listed above for a client with a home office in this State.

An out-of-state firm may perform the exempt services listed above (a compilation or a review) for a client with a home office in the State if the firm performs the services through a licensed out-of-state accountant and meets specified application and peer review requirements. The bill makes clarifying changes to this condition.

Background: The State Board of Public Accountancy in the Department of Labor, Licensing, and Regulation (DLLR) qualifies, licenses, and regulates individuals seeking licensure to practice as a certified public accountant and firms that offer public accounting services. The board is special funded and authorized to establish fees in regulation.

State Fiscal Effect: DLLR advises that there are about 270 out-of-state firm permits at any given time. Firm permit fees are \$134 for an original (including a one-time application fee) and \$135 for each renewal. Permits must be renewed every two years.

Based on DLLR’s estimation of firms exempted under the bill, special fund revenues for the State Board of Public Accountancy Fund decrease by about \$12,800 in FY 2020, which accounts for the bill’s October 1, 2019 effective date, and by about \$17,000 annually thereafter. Special fund expenditures are not affected, as the board retains its regulatory responsibilities for more than 21,000 licensees.

Additional Information

Prior Introductions: None.

Cross File: HB 1081 (Delegate Charkoudian, *et al.*) - Economic Matters.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2019
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