

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 647 (Second Edition)

SHORT TITLE: Amend CPA Laws/Practice Privileges.

SPONSOR(S): Senator Rand

FISCAL IMPACT				
	Yes ()	No (X)	No Estimate Available ()	
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u> <u>FY 2013-14</u>
REVENUES:	*See Assumptions and Methodology*			
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Board of Certified Public Accountant Examiners				
EFFECTIVE DATE: Effective when bill becomes law				

BILL SUMMARY:

Senate Bill 647 amends the law related to persons certified in another state practicing in North Carolina. The bill creates an automatic practice privilege allowing an individual to perform services in person, by mail, telephone or electronic means, without notice to the Board or payment of the fee, if the individual:

- Holds a valid and unrevoked certificate as a CPA issued by another state, US territory or the District of Columbia.
- Holds a valid and unrevoked license or permit to practice as a CPA issued by another state, US territory or the District of Columbia.
- Has passed the Uniform CPA Examination.
- Has not been convicted of a felony and has not been convicted of a crime involving dishonesty, deceit, or fraud unless the licensing state has determined the conviction has no effect on the individual's license.

In order to exercise the practice privilege, the individual must consent to comply with the laws and rules of this State, to allow administrative notice of hearing to be served on the home licensing board, and to be subject to jurisdiction and disciplinary authority of the Board.

An out-of-state firm can also exercise the practice privilege and must consent to comply with the law and rules of this State and to be subject to the jurisdiction and disciplinary authority of the

Board. The firm must also provide notice to the Board if an individual with the firm performs any of the following services for a client in this State:

- A financial statement audit or other engagement performed in accordance with the Statements on Auditing Standards.
- An examination of prospective financial information performed in accordance with the Statements on Standards for Attestation Engagements.
- An engagement performed in accordance with the Public Company Accounting Oversight Board auditing standards.

The bill also provides that the rules of professional conduct adopted by the Board apply to persons exercising the out-of-state practice privilege and that the Board can discipline persons exercising the out-of-state practice privilege in the same manner as currently provided for accountants certified in this State.

Source: Adopted from bill analysis done by the Committee Counsel to House Commerce on May 27, 2009.

ASSUMPTIONS AND METHODOLOGY:

Under current law, an individual whose principal place of business is outside of North Carolina may be permitted to perform certified public accountant services in the state if they meet certain conditions and pay an annual fee not to exceed \$50. Senate Bill 647 would amend the law regarding CPA practice privileges so that these individuals would no longer be required to pay this annual fee.

During the past few years, it has been the practice of the State Board of Certified Public Accountant Examiners to waive this annual fee. Therefore, Senate Bill 647 will have no real impact on their revenues. It will, however, prevent them from levying the fee in the future. The Board typically receives 200 applications from out of state CPAs wishing to practice in NC. If the Board wishes to levy the fee in the future, the number of applications multiplied by the \$50 fee results in the potential revenue loss expected from SB 647. This would result in a \$10,000 potential revenue loss in FY 09-10.

SOURCES OF DATA: NC Board of Certified Public Accountant Examiners

TECHNICAL CONSIDERATIONS: None

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