

OFFICE OF POLICY AND LEGAL ANALYSIS

Date: March 3, 2021

To: Committee on Innovation, Development, Economic Advancement and Commerce

From: Rachel Olson, Legislative Analyst

LD 171 “An Act To Enable Out-of-state Certified Public Accountancy Firms To Provide Services in Maine on the Basis of Substantial Equivalency” (Millett)

SUMMARY

This bill establishes parity in license mobility between certified public accountancy firms and individual certified public accountants by enabling out-of-state certified public accountancy firms to provide services in Maine on the basis of substantial equivalency in the same manner as individual certified public accountants. A certified public accountancy firm providing services in Maine on the basis of substantial equivalency need not provide notice or register with the Board of Accountancy but must follow the requirements of Maine law and the board's rules.

TESTIMONY

Proponents: Rep. Rebecca Millett, Sponsor; Patricia Brigham, MECPA; Thomas Neill, American Institute of CPAs Uniform Accountancy Act Committee; Lauren Corey, CPA; John D. Geraci, CPA; Spencer Hathaway, Maine Society of CPAs; Patricia Hodgdon, CPA; Dewey W. Martin, CPA;

- Legislation would be a benefit to ME tax payers and ME businesses, including ME CPAs
- Allow greater access to CPA pool while ensuring same standards
- Individual CPA mobility is already in place, this bill establishes similar standards for firms
- Other states, such as MA, NH, and RI already do this
- Firm mobility is key to supporting the profession
- Reduces the compliance burdens across state lines, without reducing standards
- Part of a national effort to serve clients and businesses more effectively
- The substantial equivalency clause ensures that current standards will still be met

Opponents: None

Neither for nor against: Commissioner Anne Head, DPFR;

- Currently, firms from out of state need to get a license from the State to practice here, but individual CPAs do not, based on substantial equivalency. This bill would establish similar standards for firms.

ADDITIONAL INFORMATION:

- Rep. Millett put forward an amendment to the original LD, which was shared during the public hearing and was [submitted as written testimony](#).

FISCAL IMPACT:

- Fiscal Note not required.
 - [Fiscal Detail and Notes](#): This bill may result in a decrease in the amount of dedicated revenue received by the Board of Accountancy within the Office of Professional and Occupational Licensing, Department of Professional and Financial Regulation for licensing fees. The amount is expected to be minor.

LINKS:

- [LD 171 Original Bill](#)
- [Testimony](#)

References to current statute

32 MRSA §12201. Definitions sub-§3-A, ¶ A-D

3-A. Attest service. "Attest service" means providing the following services:

A. Any audit or other engagement to be performed in accordance with the Statements on Auditing Standards, SAS; [PL 1999, c. 245, §1 (NEW).]

B. Any review of a financial statement or compilation of a financial statement to be performed in accordance with the Statement on Standards for Accounting and Review Services, SSARS; [PL 2007, c. 384, §1 (AMD).]

C. Any examination of prospective financial information to be performed in accordance with the Statement on Standards for Attestation Engagements, SSAE; [PL 2007, c. 384, §1 (AMD).]

D. Any engagement to be performed in accordance with the auditing standards of the Public Company Accounting Oversight Board, established in 15 United States Code, Section 7211 (2007); or [PL 2007, c. 384, §1 (NEW).]

32 MRSA §12252. Licenses; accounting firms sub-§ 3 and 8

3. Firm licenses. The following provisions apply to the issuance of firm licenses.

A. An applicant for initial issuance or renewal of a license under this section shall show that a simple majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members or managers, belongs to certified public accountants or public accountants who are licensed in a state and that all partners, officers, shareholders, members or managers whose principal place of business is in this State and who perform professional services in this State hold valid individual licenses issued by the board. Firms may include nonlicensee owners in accordance with [paragraph B](#). [PL 2009, c. 242, §21 (AMD).]

B. A certified public accountancy firm or public accountancy firm may include nonlicensee owners as long as:

- (1) All nonlicensee owners are individuals who actively participate in the certified public accountancy firm or public accountancy firm or an affiliated entity;

(2) The firm complies with such other requirements as the board may impose by rule; and

(3) The firm designates an individual who is a licensee of this State or, in the case of a firm that must have a license pursuant to subsection 1, paragraph A, subparagraph (3), designates an individual who is a licensee of another state who meets the requirements set out in [section 12232, subsection 1](#) who is responsible for the proper licensure of the firm and identifies that individual who is a licensee to the board. [PL 2015, c. 110, §9 (AMD).]

8. Peer review for certified public accountancy firms. As a condition to the granting or renewal of licenses to certified public accountancy firms, each applicant that provides an attest service other than compilations must successfully participate in an approved peer review program. Participation in such a program is governed by the following.

A. A peer review must be completed within 18 months after the initial granting of the license. The firm must undergo a peer review every 3 years for as long as it provides an attest service other than compilations. [PL 2015, c. 110, §10 (AMD).]

B. A certified public accountancy firm that does not provide an attest service other than compilations is not required to undergo a peer review if the firm annually confirms in writing to the board that it does not provide an attest service other than compilations. A certified public accountancy firm that subsequently provides an attest service other than compilations must undergo a peer review within 18 months after the fiscal year end of the first attest services engagement other than compilations that it accepts. [PL 2015, c. 110, §10 (AMD).]

32 MRSA §12232. Practice without license on the basis of substantial equivalency

§12232. Practice without license on the basis of substantial equivalency

1. Substantial equivalency. An individual whose principal place of business is outside the State is presumed to have qualifications substantially equivalent to the State's requirements and has all the privileges of licensees of the State and may provide professional services in the State without the requirement to obtain a license under this section or to otherwise notify or register with the board or pay any fee if the individual:

A. Holds a valid license as a certified public accountant from a state that the board has verified to be in substantial equivalence with the certified public accountant licensure requirements of a national association of state boards of accountancy and standards promulgated by the American Institute of Certified Public Accountants; or [PL 2009, c. 242, §13 (NEW).]

B. Holds a valid license as a certified public accountant from a state that is not in substantial equivalence with the certified public accountant licensure requirements under paragraph A, but the board determines that the individual's certified public accountant qualifications are substantially equivalent to the certified public accountant licensure requirements of a national association of state boards of accountancy and standards promulgated by the American Institute of Certified Public Accountants. For purposes of this subsection, the board may exempt an individual who passed the Uniform Certified Public Accountant Examination and holds a valid license issued by any other state prior

to January 1, 2012 from the education requirement in section 12228, subsection 3, paragraph B. [PL 2009, c. 242, §13 (NEW).]

In determining substantial equivalence, the board may consult determinations and verifications from a national qualification appraisal service of a national association of state boards of accountancy.

[PL 2009, c. 242, §13 (NEW).]

2. No notice or other submission required. Notwithstanding any other provision of law, an individual who qualifies for licensure under this section may offer or render professional services in this State, whether in person or by mail, telephone or electronic means, and no notice or other submission may be required of any such individual. Such an individual is subject to subsection 3.

[PL 2009, c. 242, §13 (NEW).]

3. Conditions. An individual licensee of another state exercising the practice privilege afforded under this section and the firm that employs that individual must consent, as a condition of the grant of the practice privilege:

A. To the personal and subject matter jurisdiction and disciplinary authority of the board; [PL 2009, c. 242, §13 (NEW).]

B. To comply with the provisions of this chapter and the board's rules; and [PL 2013, c. 217, Pt. K, §2 (AMD).]

C. To the stipulation that, in the event the license from the state of the individual's principal place of business is no longer valid, the individual will cease offering or rendering professional services in the State individually and on behalf of a firm. [PL 2013, c. 217, Pt. K, §3 (AMD).]

D. [PL 2013, c. 217, Pt. K, §4 (RP).]
[PL 2013, c. 217, Pt. K, §§2-4 (AMD).]

4. Additional services. An individual who qualifies for the practice privilege under this section may perform any of the services listed in this subsection for any entity with its home office in the State as long as the individual does so through a firm that has obtained a license issued under section 12252:

A. A financial statement audit or other engagement to be performed in accordance with the Statements on Auditing Standards; [PL 2009, c. 242, §13 (NEW).]

B. An examination of prospective financial information to be performed in accordance with Statements on Standards for Attestation Engagements; or [PL 2009, c. 242, §13 (NEW).]

C. An engagement to be performed in accordance with auditing standards of the Public Company Accounting Oversight Board, established in 15 United States Code, Section 7211 (2007). [PL 2009, c. 242, §13 (NEW).]

[PL 2009, c. 242, §13 (NEW).]

SECTION HISTORY

PL 2009, c. 242, §13 (NEW). PL 2013, c. 217, Pt. K, §§2-4 (AMD).

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