

**PRESENTATION OF THE
BOARD OF PUBLIC ACCOUNTANCY**

**TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

AND

TO THE HOUSE COMMITTEE ON JUDICIARY

**TWENTY-FIFTH LEGISLATURE
Regular Session of 2009**

**Monday, February 02, 2009
2:00 p.m.**

**TESTIMONY ON HOUSE BILL NO. 995, RELATING TO PUBLIC
ACCOUNTANCY.**

**TO THE HONORABLE ROBERT N. HERKES, CHAIR, AND
TO THE HONORABLE JON RIKI KARAMATSU, CHAIR,
AND MEMBERS OF THE COMMITTEES:**

My name is Mark Hunsaker and I am the Chairperson of the Legislation Committee of the Board of Public Accountancy ("Board"). Thank you for the opportunity to present testimony on behalf of the Board in support of House Bill No. 995, Relating to Public Accountancy.

The purpose of this bill is to allow a certified public accounting firm with an out-of-State license, that has its primary place of business in that state and does not maintain an office in Hawaii, to practice public accountancy in Hawaii without a Hawaii firm license as long as the practice is performed by and through either an individual with a Hawaii CPA license and permit to practice, or through a CPA who holds a practice privilege. This measure will also establish the parameters of this practice privilege.

I would like to preface my comments by informing the Committees that the Board has arranged to conduct a forum, scheduled for this Friday, February 6, 2009, for all interested parties to discuss the concept of practice privilege and the proposals included in this bill. These parties include the National Association of State Boards of Accountancy ("NASBA"), the Hawaii Association of Public Accountants ("HAPA"), and the Hawaii Society of Certified Public Accountants ("HSCPA"). Because the results of this forum are not available at this time, my testimony reflects the Board's official position in support of the concept of practice privilege, established by the Board in October 2007, as affirmed in the Board's testimony on a similar proposal during the 2008 Legislative session, and as reaffirmed by the Board since then.

The Board's position in support of the concept of practice privilege is based on discussion of documentation from the American Institute of Certified Public Accountants ("AICPA") and NASBA, including an analysis, dated August 9, 2007, conducted by Fried, Frank, Harris, Shriver & Jacobson LLP, a law firm commissioned by the AICPA and NASBA to address the issue of whether a certified public accountant who is licensed to practice in one state (the "license state") and practices in another state (the "practice privilege state") would be subject to personal jurisdiction and disciplinary action in the practice privilege state, including the potential revocation of the CPA's privilege to practice, by the accountancy board of the practice privilege state for professional misconduct in that state. The Board believes that this issue of jurisdictional authority is of

critical importance to the enhancement of public protection by granting the Board full and automatic jurisdiction over out-of-State CPAs who provide services in Hawaii.

In addition, the Board has discussed the overall concept of practice mobility, the ability of CPAs and CPA firms to offer their professional services to consumers in multiple states, while meeting urgent clients' needs without having to fulfill redundant licensing or notification procedures in these multiple states. The Board looked at how practice mobility would benefit Hawaii consumers of accounting services by giving these consumers immediate access to services from the CPAs of their choice, so long as those CPAs are validly licensed in states with licensure requirements that meet the standards of the Uniform Accountancy Act ("UAA) of the AICPA and NASBA, or are validly licensed and individually meet those standards.

The Board agrees with the public accountancy profession that now, more than ever before, the electronic age makes conducting business across state borders an everyday occurrence. There is a critical need for states to adopt a uniform mobility system that will allow licensed CPAs to provide services across state lines without unnecessary burdens that only serve to limit consumer access to professional services while not providing any further protection of the public interest. Uniform adoption of practice mobility, as provided in the UAA, the model bill for CPA regulation written and endorsed jointly by the AICPA and NASBA, will create a system similar to the nation's driver license that will provide CPAs with

mobility while retaining and strengthening the ability of state boards to protect the public interest.

Without mobility, compliance and enforcement of the existing system of regulation is almost impossible, with multiple cumbersome processes and disparities in requirements. Business realities, including an increase in interstate commerce and virtual technologies require a uniform system that allows fluid practice across state lines. Since many businesses today are located in multiple states and have compliance responsibilities in multiple jurisdictions, a uniform process will give CPAs the flexibility to better serve their clients. For a Hawaii CPA or CPA firm seeking and planning to expand outside of Hawaii, mobility will allow this expansion of their business with less expense of limited time and financial resources so that they can concentrate on providing their services to the benefit of their clients.

Looking at the larger national picture, the Board notes that to date, twenty-eight (28) states have enacted a UAA-compliant uniform mobility provision and two (2) states have enacted a limited version of mobility that allows out-of-state CPAs practice privilege if they come from a state that has also enacted mobility. Hawaii is one of a number of states that have indicated intent to move forward with legislation in 2009-2010.

In closing, it is the Board's understanding that practice mobility and the granting of practice privilege to out-of-State CPAs will improve the current national regulatory system. It will do this by renewing the focus on uniformity and

consistency, and by removing the myriad number of notice and fee requirements currently existing in a number of states, including Hawaii. At the same time, this initiative would explicitly provide that Hawaii, as the practice privilege state, would have automatic disciplinary jurisdiction over out-of-State CPAs and CPA firms that provide services for Hawaii consumers.

As mentioned at the beginning of my testimony, the Board will meet on February 6, 2009 with representatives of NASBA, HAPA, HSCPA, and other interested parties to review and discuss this measure, and will be prepared to report its resulting position regarding the specific provisions of H.B. No. 995 to the Legislature subsequent to that meeting.

Thank you for the opportunity to provide testimony.

From: info Account [info@hscpa.org]
Sent: Friday, January 30, 2009 2:34 PM
To: CPCtestimony
Subject: Testimony in SUPPORT of HB 995

House Committee on Consumer Protection & Commerce
House Committee on Judiciary

Monday, February 2, 2009
2:00 p.m.
Conference Room 325

In Support of HB 995

Chairs Herkes and Karamatsu, Vice Chairs Wakai and Ito, and Committee Members:

Thank you for the opportunity to testify in support of HB 995. My name is Melanie King and I am the President of the Board of Directors of the Hawaii Society of Certified Public Accountants (HSCPA).

Mobility (or out-of-state practice privilege) is the number one issue for the accounting profession today. The unprecedented uniformity move is being spearheaded by the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA).

What is mobility? This initiative has been misconstrued and tainted with theories and unfounded allegations. Practice mobility for **certified** public accountants is the ability of a licensee to gain a practice privilege outside of their home state without getting an additional license in another state where they will be serving a client.

The AICPA along with NASBA have been working with the state boards of accountancy and the state CPA societies across the country to gain a uniform interstate mobility provision through the Uniform Accountancy Act since 2007. Since that date over half of the states have enacted a uniform provision. Today, there are 31 states with mobility and 10 states undergoing mobility legislation in 2009.

Mobility will allow "foreign" accountants to practice in Hawaii. ABSOLUTELY FALSE. This provision has nothing to do with non-US (or foreign) accountants. This provision provides for the mobility of CPA licensees from the other 55 US licensing jurisdictions.

Uniform adoption of this practice privilege provision included in the *Uniform Accountancy Act* (the model bill for CPA regulation) will create a system similar to the nation's driver license that will provide CPAs with mobility while retaining and **strengthening** state boards' ability to protect the public interest.

The Hawaii Board of Public Accountancy will gain automatic jurisdiction over all CPAs practicing in Hawaii, enabling them to discipline out-of-state licensees, whether they are registered or licensed in the state.

As the only statewide organization dedicated exclusively to CPAs, we are asking for a favorable report on HB 995. Thank you.

Sincerely,

Melanie King, CPA
President
Hawaii Society of CPAs

wakai1-Karen

From: Kent Tsukamoto [kent.tsukamoto@accuityllp.com]
Sent: Friday, January 30, 2009 3:09 PM
To: CPCtestimony
Subject: Testimony in Support of HB 995

Monday, February 2, 2009
2:00 p.m.
Conference Room 325

Testimony In Support of HB 995

Chairs Herkes and Karamatsu, Vice Chairs Wakai and Ito, and Committee Members:

Thank you for the opportunity to testify in support of HB 995. My name is Kent K. Tsukamoto and I am the managing partner of Accuity LLP, a Hawaii based, locally owned, full service Certified Public Accounting firm. I have practiced as a CPA in Hawaii for over 31 years.

Our Firm fully supports the move toward national uniformity, mobility and oversight that is being spearheaded by the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA).

NASBA and AICPA have been working with the state boards of accountancy and the state CPA societies across the country to gain a uniform interstate mobility provision through the Uniform Accountancy Act. Since that date over half of the states have enacted a uniform provision. Today, there are 31 states with mobility and 10 states undergoing mobility legislation in 2009. Hawaii needs to pass this legislation for the public trust.

Uniform adoption of this practice privilege provision included in the *Uniform Accountancy Act* (the model bill for CPA regulation) will create a system similar to the nation's driver license that will provide CPAs with mobility while retaining and strengthening state boards' ability to protect the public interest.

The Hawaii Board of Public Accountancy will gain automatic jurisdiction over all CPAs practicing in Hawaii, enabling it to regulate and discipline out-of-state licensees, whether they are registered or licensed in the state.

As one of the largest CPA firms in Hawaii with local ownership and global reach, we ask that you pass and enact HB 995 into Hawaii law.

Mahalo for your consideration.

Kent K. Tsukamoto

Kent K. Tsukamoto

Managing Partner

Accuity LLP

999 Bishop Street, Suite 1900 | Honolulu, HI 96813-4427

☎: 808.531.3462 | 📠: 808.531.3433 | ✉: kent.tsukamoto@accuityllp.com Private Fax 808.531.3478



HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS

Organized August 7, 1943

P.O. BOX 61043

HONOLULU, HAWAII 96839



Before the Committee on Consumer Protection & Commerce and the Committee on Judiciary

Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325

Re: Opposition to HB995 Relating to Public Accountancy

Testimony of Marilyn M. Niwao, J.D., CPA

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I am a CPA and attorney. Born and raised in Hilo, I practice public accounting as a principal of Niwao & Roberts, CPAs, a P.C., a CPA firm on Maui. I am a past state president, current board member and legislative committee co-chairperson for the Hawaii Association of Public Accountants (HAPA), an association that represents local public accounting practitioners (primarily CPA firm owners and staff) throughout the State of Hawaii. I am the National Society of Accountants Governor of District XI, serving on the national governing board of this organization. I am also a member and past director of the HSCPA and a member of the AICPA.

HAPA (and I) strongly oppose HB995. In a January 2008 survey, our HAPA members reviewed the pros and cons on the "no notice, no fees" CPA mobility legislation. Of the 166 respondents, 97.59% voted AGAINST the CPA mobility legislation (see survey results attached).

HB995 is flawed in some definitional language, will result in outsourcing of Hawaii jobs, will result in a significant loss of license and permit fee revenues for the State of Hawaii that is currently being collected from out-of-state CPAs, and will adversely affect Hawaii consumers.

- **Loss of Hawaii jobs** will result when out-of-state and foreign CPAs practice freely in Hawaii without a Hawaii CPA license and permit to practice, with lower CPA licensing standards, no payment of fees, and no notice of practice in Hawaii to the Hawaii Board of Public Accountancy. In the current economic climate, this is not the time to enact legislation that would lead to outsourcing of Hawaii jobs.

Testimony for HB995 by Marilyn M. Niwao, J.D., CPA

Hawaii, as a tourist destination, would attract much more transient CPAs from the mainland and foreign countries who would like to practice here and write-off their vacation trip, to the detriment of Hawaii consumers and Hawaii CPAs.

- **HB995 is unfair to Hawaii's CPA candidates and Hawaii CPAs.** It allows for lower CPA licensing standards for foreign and out-of-state CPAs who practice in Hawaii versus higher standards that must be met by Hawaii-licensed CPAs. Out-of-state CPAs should meet Hawaii's higher, time-tested standards for licensure for the protection of Hawaii's consumers. For example, Hawaii's experience requirement of 1,500 hours of audit experience or two years of public accounting experience or its equivalent is higher than the standard of one year of general experience for CPA licensure provided for in HB995. In addition, under HB995, foreigners can take certain "substitute" foreign accounting exams in lieu of passing the U.S. AICPA CPA exam.
- **HB995 will result in the loss of thousands of dollars in licensing fees from out-of-state CPAs since HB995 provides that no fees will be charged to out-of-state individual CPAs practicing in Hawaii and certain out-of-state CPA firms.** This is troubling since there will be higher costs of enforcement against foreign and out-of-state CPA practitioners. Hawaii CPAs would have to shoulder the entire burden of the state's CPA licensing fees, and those fees would probably be increased with the loss of tens of thousands of dollars in fees currently collected from out-of-state CPAs who pay permanent Hawaii license and permit to practice fees or temporary permit to practice fees.

(Note: per the DCCA website, as of January 2009, there were 513 out-of-state CPAs who hold permanent Hawaii CPA licenses (out of a total of 2,648 CPA licensees). These CPAs would no longer need Hawaii CPA licenses. In addition, significant fee revenue would be lost from CPAs who obtained temporary permits. To practice as a CPA in Hawaii, practitioners must pay two separate fees - CPA license fees and permit to practice fees. Assuming the Board passes rules requiring CPA firm permits, much of those fees would also not be collected under HB995).

- **State legislative control of licensing matters for foreign and out-of-state CPAs practicing in Hawaii would be relinquished to the AICPA and NASBA, two large, national, private membership organizations.** The proposed legislation provides that for non-Hawaii residents, NASBA will be the determining authority as to which foreign and out-of-state CPAs can permanently practice in Hawaii without a Hawaii license and permit-to-practice. If enacted, NASBA (and the AICPA) can and will modify each state's licensing laws without legislative hearings or input from Hawaii consumers or other interested parties.
- **No reciprocal benefit for Hawaii CPAs.** This legislation is one-sided and only provides practice rights for out-of-state CPAs without similar "no notice, no fees" practice rights given to Hawaii CPAs and Hawaii CPA firms to practice in most other states. Although there are some states that have recently adopted CPA mobility legislation, these are typically states with lower CPA licensing standards. In addition, many of these states charge fees, require notice, restrict the scope of practice privileges given to out-of-state CPAs, require CPA firm licensing, or require reciprocal arrangements from the CPA's home state.

- **Hawaii already grants temporary permits-to-practice, with fees** for incidental practice in order to accommodate out-of-state CPAs.
- **Consumers would not know which out-of-state CPAs are allowed to practice in Hawaii.** HB995 requires **no notice** be given to the Hawaii Board of Public Accountancy by foreigners or out-of-state CPAs practicing public accountancy in Hawaii. Hawaii consumers would no longer be able to readily determine who is allowed to practice as a CPA in Hawaii without searching through 54 other accounting jurisdictions since there is no national central database of CPAs. Currently Hawaii consumers can access the DCCA website for Hawaii CPA licensees.
- **Out-of-state CPAs should be required to pay taxes and register their business,** similar to in-state businesses. They should be required to obtain a Hawaii General Excise tax license and report it as a condition of doing business in Hawaii, register their business with the Department of Commerce and Consumer Affairs, and file tax returns for business conducted in Hawaii.

Currently, many out-of-state CPAs are unaware that Hawaii has a General Excise tax (not a sales tax) that is unique in the nation and that professional services and rental income are subject to this tax. In addition, temporary practice in Hawaii has resulting income and payroll tax consequences that should not be ignored. If HB995 is enacted, there will likely be an increase in the "tax gap" – (i.e., what taxes are actually owed versus what is collected by Hawaii) especially since CPAs typically advise clients on their state tax obligations.

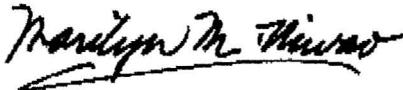
3

- **Hawaii professional continuing education requirements should be required for foreign and out-of-state practitioners** and a certification should be submitted to the Board, similar to continuing professional education requirements for Hawaii CPAs with permits to practice.
- **Consumers will be hurt by the lack of oversight of out-of-state and foreign CPAs.** Despite jurisdictional language in the bill, the ability of the State Board of Public Accountancy to effectively regulate and discipline out-of-state and foreign CPAs will be severely limited due to no notice of practice in the state, lack of funds, lack of volunteer time, and the fact that the Hawaii Board of Public Accountancy cannot suspend or take away CPA licenses from those who were licensed in other states. There are many other states that have minimal funds for disciplinary action against their state CPAs.
- **Fabricates a false solution for a problem that doesn't exist.** Although others have argued that mobility legislation is necessary to allow practitioners to prepare out-of-state tax returns because of the new electronic age, CPAs and other tax practitioners have been preparing out-of-state tax returns for decades as a matter of practice, and the Hawaii State Tax Department has no restriction on out-of-state tax preparers preparing Hawaii tax returns.

For the reasons stated above, we strongly oppose HB995 and respectfully request that you vote "NO" on this bill.

If you have any questions regarding the above, please do not hesitate to contact me at (808) 242-4600, ext. 224 (Maui). Thank you for this opportunity to testify.

Respectfully submitted,



Marilyn M. Niwao, J.D., CPA
HAPA Legislative Committee Co-chairperson and Board member

HAPA "NO NOTICE, NO FEES" MOBILITY SURVEY RESULTS

In January 2008, our membership read a one page position paper from HAPA and a one page position paper from the HSCPA and responded. The survey results were as follows:

Total Respondents – 166 individuals

4

Total in favor of mobility – 4
Total OPPOSED TO mobility – 162

Total percentage of HAPA survey respondents opposed to CPA mobility legislation – 97.59%

Other details of the survey are shown below:

Total CPAs responding – 106
Total PAs responding – 2
Total CPAs + PAs responding – 108

Total CPAs + PAs in favor of mobility – 1
Total CPAs + PAs OPPOSED TO mobility – 107
Percentage of CPAs + PAs OPPOSED TO mobility – 99.07%

(Note: Only CPA who voted in favor of mobility is a Board of Public Accountancy member, HSCPA member, and AICPA member.)

The remaining respondents to the survey were:

CPA Firm Staff – 43

EAs – 5

Other (including retired) - 10

The respondents' primary areas of employment were as follows:

public accounting practice – 144

private industry – 11

government – 3

retired, other, or unknown - 8

Total respondents who are AICPA members – 74

Total respondents, AICPA members, who OPPOSE mobility – 73

Total respondents who are HSCPA members – 76

Total respondents, HSCPA members, who OPPOSE mobility - 75

Sample Comments from HAPA Survey Respondents:

CPA, Oahu:

The idea is to "protect the public." So how does mobility "protect the public"? Doesn't it have the opposite effect?

CPA firm staff, Oahu:

All public accountants should be held to ONE standard – the highest one that is acceptable. When all practitioners are of the same qualifications, only then should they all be considered as interchangeable/replaceable.

CPA, Big Island:

"No notice, no fees" is not fair to Hawaii students planning to practice in Hawaii as well to Hawaii licensed CPAs who are active practitioners.

CPA, Oahu:

What a downgrade on our CPA status in Hawaii.

CPA, Oahu:

I think the legislation discriminates against Hawaii-licensed CPAs because it holds us to higher licensing standards. The HSCPA position centers on mobility and about Hawaii-licensed CPAs preparing out-of-state returns for our clients. However, it does not really address the situation which will result in Hawaii if foreigners and out-of-state CPAs can practice public accountancy in Hawaii without obtaining a Hawaii CPA license or permit to practice.

CPA, Oahu:

This legislation is unfair to Hawaii's CPA's and may be detrimental to the local public. This opens a lot of opportunities for foreign and out-of-state CPA's to dupe the public. Similar to out-of-state did to Kauai residents during Iniki.

CPA, Oahu:

Agree with HAPA position.

CPA, Oahu:

Why should these get a freebie when we pay licensing fees? This should apply not only to "firms" but out of state "staff members".

CPA, Oahu:

All the mobility rules do is to allow large firms to move managing partners from one state to another without notifying the state Dept. of Commerce. Licensing laws are to protect the public. Allowing someone to practice without registering does not serve the public.

CPA, Maui:

We are already experiencing trouble with a "CPA" from Canada. The accounting records provided were in a financial mess and took two months to correct. To avoid heartaches with clients, please require continuing education for all and have all CPAs follow the same procedures as all CPAs do. We need to provide clients with competent practitioners that know what they are doing.

Accounting student, Maui:

I am currently an accounting student and find this proposed legislation very unsettling. Accounting is by far one of the most challenging subjects a person can study. To know that this effort, that many have undertaken and will undertake, is going to be for naught is disheartening. I happen to care about this country's economic future and feel that in order to keep it running we need to have some level of job security and standards for our workers. This legislation is looking to bypass the well-being of America's future generations just to fill the greedy pockets of huge corporations. The only people that will benefit are the big wigs. That is why I am completely against this, and if it does pass, anyone involved with that seriously needs to question their motive and ethical standards.

CPA, Oahu:

Lowering the licensing standards to some who could practice public accounting would adversely impact the profession and the public it serves. If anything, licensing standards should be elevated to bring in quality people in the profession.

CPA, Maui:

No to outsourcing. No to foreign in-sourcing. Thank you for asking for my views. I wish the AICPA and HSCPA polled their members and were responsive to their needs rather than telling practitioners what to think.

EA, Maui:

My office regularly utilizes the services of CPAs to audit the financial statements of a few clients. I depend on them to know more than myself about GAAP, not less.

CPA, Big Island:

We cannot reduce our standards. (Some states' standards are lower.)

CPA, Big Island:

Same pay – same fee or higher to support our local people first.

CPA firm staff, Big Island:

This proposed legislation is unfair to Hawaii CPAs.

CPA, Oahu:

Proponents come from the same ilk as those who enabled Enron.

CPA, Oahu:

We cannot lower the licensing standards.

CPA, Oahu:

I agree with HAPA's position on CPA mobility.

CPA, Oahu:

To do so would be a dilution of the profession. In a way it would be a reverse discrimination against the Hawaii practitioner.

EA, Maui:

Should meet Hawaii standards, education, and fees, etc.

CPA, Maui:

Yes. We need to protect the public

CPA, Oahu:

The public is well aware of the education and licensing requirements to retain the designation of CPA in Hawaii. As such to allow someone to put himself out as a CPA in Hawaii without having undergone the same requirements is misleading to the public. My opposition is not meant to allow public accounting in Hawaii to a select few, but to resist efforts such as this legislation which cheapens the product.

8

CPA, Oahu:

Hawaii CPA's already have a hard time making a decent living. Low-cost competitors could drive residents out of the CPA business here.

Other, Oahu:

My experience tells me that foreigners need to understand Hawaii state laws and regulations of industries in order to provide certified services to clients.

CPA, Oahu:

We have a fixed pie and this legislation would lead to decreased amount of work for us, small practitioners.

CPA, Oahu:

Yes, it would infringe on local practitioners income and the legislation is not fair to the small practitioners.

CPA, Big Island:

I agree with the HAPA position.

CPA, Big Island:

I see no need to implement the proposed legislation. Supposed "problem" of Hawaii CPAs preparing out of state tax returns is not solved because most states, e.g., CA, NY, NJ, etc., are not part of coalition – so "problem" continues even if legislation passes.

CPA, Maui:

There should be a level playing field. Outside CPAs should meet same requirements as Hawaii State CPAs.

CPA firm staff, Big Island:

Why would we want to lower our state standards?

CPA firm staff, Oahu:

CPA Mobility Legislation should not be adopted under any circumstances since Hawaii does not currently restrict tax return preparation by out-of-state CPAs.

CPA, Maui

Yes, I absolutely oppose this!

CPA firm staff, Maui

This is solely based on my personal opinion that this mobility accounting legislation is degrading the profession. They should have to follow the licensing requirements to practice in Hawaii & "no notice, no fees" for foreign and out-of-state CPAs should not be allowed by all means to protect the interests of Hawaii CPAs.

Other, Maui:

It is ridiculous to let others come in and practice with no license or fees. Why should Hawaii residents be hamstrung with these expenses and higher standards, if you let outsiders come in for free?

CPA firm staff, Maui:

Not fair for Hawaii CPAs. Should have equal laws and standards for everyone practicing in Hawaii.

CPA firm staff, Maui:

Local practitioners are at a disadvantage. Not same level playing field. State Board of Accountancy will have no oversight and no idea who else practices in State of Hawaii. This will leave public open and vulnerable with no recourse.

Other, Big Island:

I like HAPA's eighth point (i.e. no similar practice rights for Hawaii CPA...) and last point (i.e. fabricates a false solution...).

CPA, Maui:

This legislation does not benefit small firm CPAs in Hawaii. It will result in a loss of jobs for Hawaii residents and simply does not make sense. I strongly oppose accounting jobs going to nonresident foreigners since these jobs should be kept for our younger generation of accountants who will be paying into the social security system. The legislation is also bad for Hawaii consumers.

Brian M. Iwata, CPA
101 Aupuni St., #139
Hilo, HI 96720

February 1, 2009

The Honorable Representative Robert N. Herkes, Chair
The Honorable Representative Glenn Wakai, Vice Chair
The Honorable Representative Jon Riki Karamatsu, Chair
The Honorable Representative Ken Ito, Vice Chair
Committees on Consumer Protection & Commerce and Judiciary
Hawaii State Capitol, Conference Room 325
415 South Beretania Street
Honolulu, HI 96813

Re: **Opposition to HB 995**
Relating to Public Accountancy

Chairs Herkes & Karamatsu, Vice-chairs Wakai & Ito, and committee members:

I oppose HB 995 (The Mobility Bill) for the following reasons:

Unfairness to Hawaii CPA practitioners and CPA candidates

This bill will allow CPAs from other states and foreign countries to practice public accountancy in Hawaii without payment of fees or giving notice to the Board. Whereas, as CPAs in Hawaii we are required to pay a fee to maintain our license.

The Hawaii requirements to become a CPA are higher than many of the states, including Washington, Oregon, California, Arizona. Therefore to allow CPAs from other states and countries whose requirements are lower than Hawaii to practice here will be lowering the standards as to who can practice in Hawaii while requiring the Hawaii CPA candidates to meet a higher standard.

Revenue Loss to Hawaii

Currently, any CPA from away that wants to practice temporarily in Hawaii must register and pay a temporarily permit fee. HB 995 is asking that the fee and registration be done away with. Besides the lost in registration fee, it will make it more difficult to monitor the CPAs that come here to practice temporarily if they are paying the GE tax and income taxes on the income earned in Hawaii. Under the current system the CPAs who registers here, provides the necessary information where the State Tax Division can easily verify if the GE and income taxes are being paid.

Mobility Laws of Other Jurisdictions are Not the Same

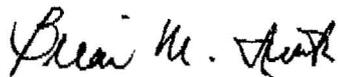
The mobility laws of the states that have enacted them are not the same and are confusing. HB 995 if enacted will further contribute to this confusion. A more equitable solution is to push for federal legislation that would apply to all CPAs equally.

Membership Had No In-Put In This Legislation

The sponsor of this bill, the Hawaii Society of Certified Public Accountants (HSCPA) did not conduct any membership survey for input as to weather this legislation is for the membership's benefit. As a member of HSCPA I feel HB 995 is a bad legislation and it should not be passed.

Thank you for this opportunity to testify.

Respectfully submitted,



Brian M. Iwata, CPA

(808) 586-8479

Page 1 of 3

Jane Green Rodgers, CPA
75-5789 Kakalina St.
Kailua Kona, HI 96740
(808) 329-6780

February 1, 2009

**Before the Committee on Consumer Protection
& Commerce and the
Committee on Judiciary**

**Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325**

**Re: Opposition to HB995
Relating to Public Accountancy**

Testimony of Jane Green Rodgers, CPA

**Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and
committee members:**

**I oppose HB995. I am a CPA and principal of the firm of Jane Green
Rodgers CPA with 14 years of experience working in public accounting. I
oppose this "no notice, no fees" CPA mobility legislation for the following
reasons:**

- **Loss of Hawaii jobs** will result when out-of-state and foreign CPAs practice freely in Hawaii without a Hawaii CPA license and permit to practice, with lower CPA licensing standards, no payment of fees, and no notice of practice in Hawaii to the Hawaii Board of Public Accountancy. In the current economic climate, this is not the time to enact legislation that would lead to outsourcing of Hawaii jobs.
- **HB995 is unfair to Hawaii's CPA candidates and Hawaii CPAs.** It allows for lower CPA licensing standards for foreign and out-of-state CPAs who practice in Hawaii versus higher standards that must be met by Hawaii-licensed CPAs. Out-of-state CPAs should meet Hawaii's higher, time-tested standards for licensure for the protection of Hawaii's consumers. For example, Hawaii's experience requirement of 1,500 hours of audit experience or two years of public accounting experience or its equivalent is higher than the standard of one year of general experience for CPA licensure provided for in HB995. In addition, under HB995, foreigners can take certain "substitute" foreign accounting exams in lieu of passing the U.S. AICPA CPA exam.

Pg. 2 of 3

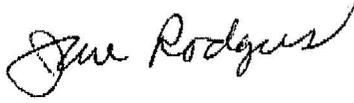
- **HB995 will result in the loss of thousands of dollars in licensing fees from out-of-state CPAs since HB995 provides that no fees will be charged to out-of-state individual CPAs practicing in Hawaii and certain out-of-state CPA firms.** This is troubling since there will be higher costs of enforcement against foreign and out-of-state CPA practitioners. Hawaii CPAs would have to shoulder the entire burden of the state's CPA licensing fees, and those fees would probably be increased with the loss of tens of thousands of dollars in fees currently collected from out-of-state CPAs who pay permanent Hawaii license and permit to practice fees or temporary permit to practice fees.
- **State legislative control of licensing matters for foreign and out-of-state CPAs practicing in Hawaii would be relinquished to the AICPA and NASBA, two large, national, private membership organizations.** The proposed legislation provides that for non-Hawaii residents, NASBA will be the determining authority as to which foreign and out-of-state CPAs can permanently practice in Hawaii without a Hawaii license and permit-to-practice. If enacted, NASBA (and the AICPA) can and will modify each state's licensing laws without legislative hearings or input from Hawaii consumers or other interested parties.
- **No reciprocal benefit for Hawaii CPAs.** This legislation is one-sided and only provides practice rights for out-of-state CPAs without similar "no notice, no fees" practice rights given to Hawaii CPAs and Hawaii CPA firms to practice in most other states. Although there are some states that have recently adopted CPA mobility legislation, these are typically states with lower CPA licensing standards. In addition, many of these states charge fees, require notice, restrict the scope of practice privileges given to out-of-state CPAs, require CPA firm licensing, or require reciprocal arrangements from the CPA's home state.
- **Hawaii already grants temporary permits-to-practice, with fees for incidental practice in order to accommodate out-of-state CPAs.**
- **Fabricates a false solution for a problem that doesn't exist.** Although others have argued that mobility legislation is necessary to allow practitioners to prepare out-of-state tax returns because of the new electronic age, CPAs and other tax practitioners have been preparing out-of-state tax returns for decades as a matter of practice, and the Hawaii State Tax Department has no restriction on out-of-state tax preparers preparing Hawaii tax returns.

For the reasons stated above, I strongly oppose HB995 and respectfully request that you vote "NO" on this bill.

Pg 3 of 3

Thank you for this opportunity to testify.

Respectfully submitted,



Jane Rodgers, CPA



HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS

Organized August 7, 1943
P.O. BOX 61043
HONOLULU, HAWAII 96839



Before the Committee on Consumer Protection & Commerce And Committee on Judiciary

Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325

Re: **Opposition to HB995** Relating to Public Accountancy

Testimony of **Gregg M. Taketa**

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I respectfully ask that you vote NO on HB995.

I am a Certified Public Accountant and the State President of the Hawaii Association of Public Accountants (HAPA). I am also a member of the Hawaii Society of Certified Public Accountants (HSCPA) and the American Institute of Certified Public Accountants (AICPA).

In a member survey taken in January of 2008 by the Hawaii Association of Public Accountants, 97% of the respondents were opposed to CPA mobility. In contrast, the Hawaii Society of Certified Public Accountants never surveyed its membership on the CPA mobility issue.

Proponents are claiming that HB995 is necessary for commerce. If commerce is truly affected adversely by the lack of CPA mobility, Congress should mandate that a national CPA license be created.

I ask that you vote no on this "no notice, no fees" CPA mobility legislation because of the following reasons:

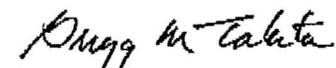
- HB995 will result in the loss of Hawaii jobs in the field of public accounting. Foreigners (non-Americans) and out-of-state CPAs will be able to practice public accounting within the state of Hawaii without having to notify Hawaii's Board of Public Accountancy or obtain a Hawaii CPA license or permit-to-practice.
- HB995 is not fair to Hawaii residents who are candidates for the CPA license. Hawaii's standards for attaining the CPA license are higher than the standards in many of the other western states. Hawaii residents must meet these higher standards

while HB995 will allow CPAs from a state with lower standards to enter Hawaii and practice public accountancy.

- HB995 will result in the loss of license fees collected from temporary licenses currently issued to out-of-state CPAs. The Board of Public Accountancy must absorb the cost of enforcement against foreign and out-of-state CPA practitioners with the loss of the temporary license fee of \$210 per foreign and out-of-state practitioner. This amounts to a loss of tens of thousands of dollars at a time when the State budget cannot afford such unnecessary loss of revenue.
- HB995 is bad for Hawaii's consumers. Because foreigners and out-of-state CPAs will no longer be required to notify the Hawaii Board of Public Accountancy before practicing public accountancy in Hawaii, consumers will find it more difficult to determine who is a licensed CPA without searching through National Association of State Boards of Accountancy's (NASBA) database. Some states, like Hawaii, may not participate in this database due to privacy issues.
- HB995 is bad for Hawaii's legislators. Legislative control of licensing matters for foreign and out-of-state CPAs practicing in Hawaii would be relinquished to NASBA to determine which states have standards that are comparable. The proposed legislation will allow NASBA to modify the threshold at which state standards are considered comparable. In essence, the AICPA and NASBA can and will modify each state's licensing laws whenever they modify this threshold, without legislative hearings or input from Hawaii consumers or other interested parties.

I urge the two committees to oppose HB995 for these reasons. Thank you for this opportunity to testify.

Respectfully submitted,



Gregg M. Taketa, CPA
State President
Hawaii Association of Public Accountants

DARRYL T. KOMO
1164 BISHOP STREET SUITE 530
HONOLULU, HAWAII 96813

Before the Committee on Consumer Protection & Commerce
And the Committee on Judiciary

Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325

Re: Opposition to HB 995
Relating to Public Accountancy

Testimony of Darryl Komo

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I oppose HB 995. I am a CPA with 30 years of experience working in public accounting. I oppose this "no notice, no fees" CPA mobility legislation for the following reasons:

- **HB995 is unfair to Hawaii's CPA candidates and Hawaii CPAs.** It allows for lower CPA licensing standards for foreign and out-of-state CPAs who practice in Hawaii versus higher standards that must be met by Hawaii-licensed CPAs. Out-of-state CPAs should meet Hawaii's higher standards for licensure. For example, Hawaii's experience or its equivalent is higher than the standard of one year of general experience for CPA licensure that may be possible under the provisions of HB995.
- **HB995 does not define what is meant by "performed by and through".** Sec. 466-A(a) proposes to allow an out-of-state CPA firm to practice in Hawaii without a firm license or notice to the board provided that the out-of-state firm's practice is performed by and through an individual who holds a Hawaii permit to practice or an individual who is deemed to have equivalent qualifications. "Performed by and through" is not an accounting term and allows for a liberal interpretation. HB995 should require the Hawaii permit holder (or the equivalent) to materially participate in the performance of accounting services performed in Hawaii.
- **HB995 will create additional administrative burdens.** There will be additional monitoring required for out-of-state CPAs. Under Sec. 466-B, either the board determines that the licensure requirements of the out-of-state CPA are met or the out-of-state CPA obtains verification from NASBA. If the verification is obtained from NASBA, the board should review the verification. Hawaii already grants temporary permits to practice with fees to accommodate out-of-state CPAs.

For the reasons stated above, I strongly oppose HB995 and respectfully request that you vote "NO" on this bill.

Thank you for this opportunity to testify.

Respectfully submitted,

Wynne Jones

LEONG & FONG
CERTIFIED PUBLIC ACCOUNTANTS

EDWIN Y. W. FONG, C.P.A.

HASEKO CENTER
820 MILILANI ST., 2ND FLOOR
HONOLULU, HAWAII 96813
TELEPHONE (808) 533-6236
FAX (808) 523-1462

**Before the Committee on Consumer Protection
& Commerce and the
Committee on Judiciary**

**Monday, February 2, 2009 at 2:00p.m.
Conference Room 325**

Re: Opposition to HB995
Relating to Public Accountancy

Testimony of Edwin Y.W. Fong, CPA

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I oppose HB995. I am a CPA who has practiced public accounting in Hawaii for 42 years. A graduate of our University of Hawaii with a Bachelor and Masters degree in Business Administration. I am the principal of Leong and Fong, CPAs which was founded by Paul B. Leong in 1944. My reasons for opposing this proposed "No Notice, No fee" CPA mobility legislation is as follows:

- It allows out of state and foreign CPAs to practice public accounting freely in Hawaii without the assurance they have met the same qualifying standards which Hawaii licensed CPA's must meet.
- HB995 creates two licensing standards, one for Non-Hawaii licensed CPA's and one for Hawaii licensed CPAs. This may be to the detriment of Hawaii's public. I believe there should be only one standard for CPAs practicing public accounting in Hawaii must meet and adhere to. That high standards Hawaii currently has in place must be maintained. It cannot be diluted by the allowance of out-of-state and foreign CPAs whose licensing granting standards are lower than that of Hawaii's. As an example, Hawaii's experience requirement is 1,500 hours of audit experience or two years public accounting experience. This is higher than the standard provided in HB995 which requires only one year of general experience. Do we want to lower our standard? Also, under HB995, foreign CPA's are allowed to take certain "substitute" foreign accounting examination in lieu of passing the "U.S. AICPA" CPA exam. In my view there should be only one exam, which all CPA's practicing in Hawaii must pass to qualify for licensing. It is the "U.S. AICPA" CPA exam. This would insure a commonality in the qualification of the CPAs practicing in Hawaii. That they have all passed the rigors of the same examining body, the American Institute of Certified Public Accountants (AICPA).

Opposition to HB 995
Page 2 of 2

- HB995 provides no fees will be charged to out-of-state individual CPAs and certain out-of-state CPA firms practicing in Hawaii. This would result in the loss of revenue from licensing fees currently collected from out-of-state CPAs. With this revenue loss, the Hawaii licensed CPAs will shoulder the entire enforcement burden of the profession, which will include foreign and out-of-state CPA practitioners who will pay no fees under HB995. This I believe is not equitable. Should there be a short fall, who will pay it? In all probability the licensing fee of the Hawaii CPA practitioners will be raised. With the current economic climate, now is not the time to be raising the cost of accounting services and doing business in Hawaii.
- No reciprocal benefit for Hawaii CPAs. This legislation is one-sided. It only provides benefits rights to out-of-state CPAs to practice in Hawaii. It does not grant Hawaii CPAs similar rights to practice public accounting in most other states. Although some states have adopted CPA mobility legislation, they are typically states with lower CPA licensing standards. Also, many charge fees, require notice, restrict the scope of practice privileges and require CPA firm licensing or reciprocal arrangements from the CPA's home state.
- Hawaii already accommodates out-of-state CPAs with its temporary permits-to-practice with fees for incidental practice. Is HB995 necessary?

For the above reasons, I strongly oppose HB995 and respectfully request your "NO" votes on the Bill.

Thank you for this opportunity to testify.

Respectfully submitted,



Edwin Y.W. Fong, CPA

NIWAO
&
ROBERTS

Certified Public Accountants, A Professional Corporation

**Before the Committee on Consumer Protection
& Commerce and the
Committee on Judiciary**

Monday, February 2, 2009 at 2:00 p.m.

Conference Room 325

Re: Opposition to HB995

Relating to Public Accountancy

Testimony of John W. Roberts

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I am a certified public accountant (CPA) and principal of Niwao & Roberts, CPAs, a P. C., located on Maui. I oppose HB995 because the bill is flawed, unfair to local Hawaii CPAs, and outsources Hawaii jobs.

HB995 will:

1. Place local CPAs and their firms at a competitive disadvantage vs. non-Hawaii CPAs and their firms by requiring higher costs of doing business, including:
 - a. Licensing fees. For example, my individual CPA licensing fees in Hawaii are almost four times more than licensing fees for certain other states.
 - b. Office occupancy costs. Temporary, migrant-worker CPAs will not require permanent, higher rent office space in Hawaii. Hawaii-based CPAs will. This is bad for the Hawaii economy.
 - c. Continuing Professional Education (CPE). Out-of-state CPAs will not have to comply with Hawaii CPE requirements. Hawaii-based CPAs will.
 - d. Salaries, wages, and benefits of employees. Based on reporting by national business magazines as well as the job applications received by

my firm, foreign licensed accountants from India and other countries are paid a fraction of the salaries and benefits paid to Hawaii-based CPAs. The large international firms will utilize these foreign accountants to do the work currently done by Hawaii CPAs, leaving less jobs available for Hawaii's young accountants.

2. Open Hawaii's doors to non-Hawaii CPAs without reciprocal access for Hawaii CPAs in other states. HB995 provides a one-way street into the Hawaii market.
3. Result in the loss of Hawaii tax revenues.
 - a. Hawaii's General Excise Tax (GET) is unique in the nation. Outside CPAs frequently provide erroneous advice to their clients about their GET liabilities since Hawaii taxes services and rental income, unlike other states.
 - b. When non-Hawaii based CPAs perform work in Hawaii without having to register or provide notice, they will have no incentive to pay GET, income, or payroll taxes in Hawaii.
4. Circumvent HRS §436B-10(b)(2), which requires professional licensees in Hawaii to be, "A United States citizen, a United States national, or an alien authorized to work in the United States." Foreigners will be able to practice public accountancy in Hawaii since they would no longer need a Hawaii CPA license under HB995.
5. Encourage large international CPA firms to close their local offices and move to another state with lower costs, sacrificing local jobs and reducing demand for Hawaii office space. These large firms would simply shuttle their staff in and out of Hawaii as needed during busy season, and work would be done elsewhere whenever practical.
6. Cause Hawaii consumers to be at risk since the Hawaii Board of Public Accountancy will not be able to effectively regulate out-of-state CPAs. The Hawaii Board of Public Accountancy is already suffering from a lack of volunteer time and money to carry out its current job. For example, the Board has failed to pass rules necessary to issue CPA firm permits to practice as required under HRS §477-7 (even though HRS §477-7 has been on the books since 1989). The Board also lacks the funds to buy a tape recorder needed to prepare accurate minutes of meetings. Under HB995, the Hawaii Board will have limited, if any, funds to pursue out-of-state CPAs and would have to rely on other states' boards with similar limited resources for enforcement actions against non-Hawaii CPAs and their firms. This is a recipe for regulatory failure of the CPA profession in Hawaii.

7. Create confusion due to lack of clarity. HB995 lacks important definitions. For example, "primary place of business" is undefined, yet this term is critical to the implementation of HB995.

Hawaii needs to fight for every job and dollar of tax revenue as well as to protect its consumers. HB995 is a big step in the wrong direction. Accordingly, I urge you to vote in Hawaii's interest and against HB995.

Thank you for your consideration and this opportunity to testify.

Respectfully submitted,



John W. Roberts, M.B.A., CPA

**Colleen M. Takamura
41 Keapua Street
Wailuku, Hawaii 96793
(808) 243-9826**

Before the Committee on Consumer Protection &
Commerce and the Committee on Judiciary

Monday, February 2, 2009
Conference Room 325

**RE: Opposition to HB995
Relating to Public Accountancy**

Testimony of Colleen Takamura

January 31, 2009

Chair Herkes, Chair Karamatsu, Vice-Chair Wakai, Vice-Chair Ito and Committee Members:

I oppose HB 995.

I am a CPA in public practice. I am a manager for a CPA firm on Maui. I have been working in public practice for 19 years. In addition to this, I worked for my father, who was also a CPA, during high school and college summers and Christmas breaks. I oppose this "no notice, no fees" CPA mobility legislation for the following reasons:

HB995 is unfair to Hawaii's CPAs and Hawaii's CPA candidates.

HB995 allows for lower CPA licensing standards for foreign and out-of-state CPAs who practice in Hawaii. The standards that must be met by Hawaii licensed CPAs are higher. I think out-of-state CPAs should meet the same standards as those licensed in Hawaii. I have worked hard to earn my degrees in college, to pass the CPA exam (at that time, you had to take the whole CPA exam at one time and pass at least two parts), to work in a public accounting office to earn my experience to become a CPA and to pass the ethics exam before the Board of Public Accountancy would license you. In 1981, when I received my accounting undergraduate degree, my father urged me to obtain my masters degree. I did get my masters in accounting. It was already in the works that you would need the upper level college classes to be licensed in Hawaii. I didn't realize at the time that it would take more than 20 years to become a reality. It

Opposition to HB 995

Page two

January 31, 2009

was a lot of work and at the end, you were proud to be a CPA. Now it seems so unjust that out-of-state CPAs do not have to meet the same standards set for Hawaii CPAs. We're proud to be from Hawaii where the standards are set higher than other states. It shows that the State of Hawaii is protecting its residents. Is it in the best interest of the public to lower the standards for out-of-state CPAs? I don't think so. The out-of-state CPAs do not live here permanently. What happens if something goes wrong with a Hawaii client and the out-of-state CPA has already left the islands? Who will the Hawaii resident turn to? Will the Board of Accountancy help him? I don't think so. I think it will end up being the Hawaii CPA that will have to help the client and the client will end up paying for the out-of-state CPAs mistakes.

Also, Under HB995, a foreigner can take certain "substitute" foreign accounting exams in lieu of passing the U.S. AICPA CPA exam. As I said before, it took a lot of work to pass the exam in the 1980's. Why would you allow a foreigner to take a substitute CPA exam if they will be following the laws of the United States?

Loss of Hawaii jobs:

If the CPA licensing standards are lowered, there are no payment fees and no notice of practice in Hawaii to the Hawaii Board of Public Accountancy, there will be a loss of Hawaii jobs if out-of-state and foreign CPAs are allowed to practice in Hawaii without a Hawaii CPA license and permit to practice. In the current economic climate, this is not the time to enact legislation that would lead to outsourcing of Hawaii jobs.

HB995 will result in the loss of State of Hawaii revenue:

HB995 provides that no fees will be charged to out-of-state individual CPAs practicing in Hawaii and certain out-of-state CPA firms. This is troubling since there will be higher costs of enforcement against foreign and out-of-state CPA practitioners. Hawaii CPAs would have to shoulder the entire burden of the state's CPA licensing fees, and those fees would probably increase with the loss of tens of thousands of dollars in fees currently collected from out-of-state CPAs who pay permanent Hawaii license and permit to practice fees or temporary permit to practice fees.

No reciprocal benefits for Hawaii CPAs:

This legislation is one-sided and only provides practice rights for out-of-state CPAs without similar "no notice, no fees" practice rights given to Hawaii CPAs and Hawaii CPA firms to practice in most other states. Although there are some states that have recently adopted CPA mobility legislation, these are typically states with lower CPA licensing standards. In addition, many of these states charge fees, require notice,

Opposition to HB 995
Page three
January 31, 2009

restrict the scope of practice privileges give to out-of-state CPAs, require CPA firm licensing or require reciprocal arrangements from the CPAs home state.

Hawaii already grants temporary permits to practice, with fees for incidental practice in order to accommodate out-of-state CPAs.

Fabricates a false solution for a problem that doesn't exist:

Although others have argued that mobility legislation is necessary to allow practitioners to prepare out-of-state tax returns because of the new electronic age, CPAs and other practitioners have been preparing out-of-state tax returns for decades as a matter of practice and the Hawaii State Tax Department has no restriction on out-of-state tax preparers preparing Hawaii tax returns.

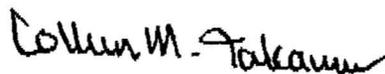
State Legislative control of licensing matters for foreign and out-of-state CPAs practicing in Hawaii would be relinquished to the AICPA and NASBA, two large, national, private membership organizations:

The proposed legislation provides that for non-Hawaii residents, NASBA will be the determining authority as to which foreign and out-of-state CPAs can permanently practice in Hawaii without a Hawaii license and permit to practice. If enacted, NASBA and the AICPA can and will modify each state's licensing laws without legislative hearings or input from Hawaii consumer or other interested parties.

For the reasons stated above, I strongly oppose HB995 and respectfully request that you vote "NO" on this bill.

Thank you for this opportunity to testify.

Respectfully submitted,



Colleen M. Takamura

wakai1-Karen

From: Leslie Kaya [lskayacpa@yahoo.com]
Sent: Saturday, January 31, 2009 2:44 PM
To: CPCtestimony
Subject: HB995

Gentlemen:

I wish to state my opposition to HB995 as being patently unfair to the local practitioners who have undergone stringent procedures in order to practice public accountancy in Hawaii. I do not believe that the provision of said bill which provides that another Board be responsible to determine whether an out-of-state CPA's state has similar education requirements is appropriate. This practice would be subjective and available to undue influence. Have we not learned anything when we assign responsibility to another party? Anyone who wishes to practice in Hawaii should adhere to the same rules as the local practitioners and go through the same procedures.

Very truly yours,

Leslie Kaya, CPA.

TESTIMONY OF
Brent Pascua

Committee on Consumer Protection & Commerce Committee on Judiciary
Monday, February 2, 2009
2:00 p.m. Conference Room 312

Re: In Opposition to HB No. 995

Chairs Herkes and Karamatsu and Committee Members

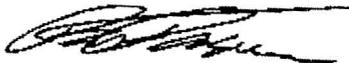
I am a J.B. Castle high school and University of Hawaii graduate who has been working for a local CPA firm for the past one and a half years.

Someday, I plan to have my own firm here in Hawaii. I am very concerned that in recent years the Hawaii State Legislature has considered measures that will bring in increased competition for accounting work in Hawaii. Although I believe competition is good; please consider the local people who pay local taxes, live in and support the local community during your deliberations.

If our local state representatives do not support the local people, who else will? I do not believe representatives from other states will be thinking about me as they try to get more work for their constituents.

Thank you for the opportunity to testify on this matter.

Very truly yours,



Brent Pascua

TESTIMONY OF
GARY MIYASHIRO, CPA
Committee on Consumer Protection & Commerce
Committee on Judiciary
Monday, February 2, 2009
2:00 PM Conference Room 312

Re: In Opposition to HB No 995

Chairs Herkes and Karamatsu and Committee Members:

As an owner of a local CPA firm, I am in strong opposition to this measure for the following reasons:

- It is not fair to subject a Hawaii State CPA to regulations such as fees, continuing professional education requirements, educational qualification requirements, notice requirements and public accounting experience requirements and not have everyone that is allowed to practice in our state to follow the same requirement.
- The bill is flawed since Hawaii does not recognize firms in our state.
- It is not good for our local economy that local jobs are going to be out sourced to other states.
- The notion that our regulatory department can regulate a firm or somebody that comes to practice in our state without notice is absurd.

Thank you for the opportunity to voice my concerns on this matter

Very truly yours,



Gary Miyashiro

TESTIMONY
OF
Cynthia Lim
Committee on Consumer Protection & Commerce
Committee on Judiciary
Monday, February 2, 2009
2:00 PM Conference
Room 312

Re: **In Opposition to HB No 995**

Chairs Herkes and Karamatsu and Committee Members:

I am a Waipahu High School and University of Hawaii graduate and am now working for a local CPA firm for the last six years. I have also passed two out of the four parts to the CPA Exam.

Someday, I plan to have my own firm and hopefully be able to raise my family in Hawaii. I am very concerned that in recent years the Hawaii State Legislature has considered measures that will bring in increased competition for accounting work in Hawaii. Although I believe competition is good; please consider the local people who pay local taxes, lives in and supports the local community during your deliberations.

If our local state representatives do not support the local people who else will? I do not believe representatives from other states will be thinking about me as they try to get more work for their constituents.

Thank you for the opportunity to testify on this matter

Very truly yours,



Cynthia Lim

TESTIMONY
OF
Ishita Shah
Committee on Consumer Protection & Commerce
Committee on Judiciary
Monday, February 2, 2009
2:00 PM Conference
Room 312

Re: In Opposition to HB No 995

Chairs Herkes and Karamatsu and Committee Members:

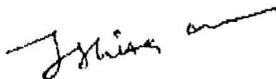
I am currently living in Honolulu and am working for a local CPA firm. I have also passed CPA exam and now working towards experience requirement for CPA license.

Someday, I plan to have my own firm and hopefully be able to raise my family in Hawaii. I am very concerned that in recent years the Hawaii State Legislature has considered measures that will bring in increased competition for accounting work in Hawaii. Although I believe competition is good; please consider the local people who pay local taxes, lives in and supports the local community during your deliberations.

If our local state representatives do not support local people who else will? I do not believe representatives from other states will be thinking about me as they try to get more work for their constituents

Thank you for the opportunity to testify on this matter

Very truly yours,



TESTIMONY OF
Laurie M. Choy
Committee on Consumer Protection & Commerce
Committee on Judiciary
Monday, February 2, 2009
2:00 PM Conference Room 312

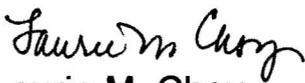
Re: **In Opposition to HB No 995**

Chairs Herkes and Karamatsu and Committee Members:

Working in a local accounting firm for over thirty years, I am in strong opposition to this measure. I see no reason to out source work for local accountants to mainland firms.

Thank you for the opportunity to voice my concerns on this matter

Very truly yours,


Laurie M. Choy

House Committee on Consumer Protection & Commerce
House Committee on Judiciary

Monday, February 2, 2009, 2:00 p.m.
Conference Room 325

In Support of HB 995

Testimony of Carleton L. Williams, Past President of the Hawaii Society of CPAs
and Member of the Governing Council of the American Institute of CPAs

Chairs Herkes and Karamatsu, and Committee Members:

Thank you for the opportunity to testify in support of HB 995. There are many good reasons for local practitioners to support practice mobility for CPAs, two of which I believe are basic and necessary.

First, the proposed legislation subjects CPAs from out-of-state who audit businesses based in Hawaii to the same licensing requirements as local CPAs (the ability to audit is unique to CPAs – although CPAs are well-suited to provide non-audit accounting services, there is no requirement to be a licensed CPA to do so). The present temporary registration requirements are ineffective and seem to be applicable only when out-of-state CPAs are physically present.

Second, the proposed legislation automatically subjects CPAs serving Hawaii clientele to our jurisdiction when they hold themselves out as CPAs, regardless of the type of service they provide or the location they provide it from. We know of many CPAs outside of our State who serve clientele here, and seem to do so outside of our reach.

I urge you to approve **HB 995**.

Respectfully submitted,

Carleton L. Williams, CPA
CW Associates, A Hawaii
Certified Public Accounting Corporation
700 Bishop Street, Suite 1040
Honolulu, Hawaii 96813-4124

BY FACSIMILE – 586-8479



**Before the Committee on Consumer Protection
& Commerce and the
Committee on Judiciary**

Levin & Hu, LLP
Certified Public Accountants
77 Hookeale Street, Suite 302
Kahului, Maui, Hawaii 96732-3516
808-270-1077 main line
808-270-1072 fax
www.levinhu.com

**Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325**

**Re: Opposition to HB995
Relating to Public Accountancy**

Testimony of Douglas K. Levin

**Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and
committee members:**

I oppose HB995. I am a CPA and principal of Levin & Hu, LLP, CPAs with 15 years of experience working in public accounting. I oppose this "no notice, no fees" CPA mobility legislation for the following reasons:

- **Loss of Hawaii jobs** will result when out-of-state and foreign CPAs practice freely in Hawaii without a Hawaii CPA license and permit to practice, with lower CPA licensing standards, no payment of fees, and no notice of practice in Hawaii to the Hawaii Board of Public Accountancy. In the current economic climate, this is not the time to enact legislation that would lead to outsourcing of Hawaii jobs.
- **HB995 is unfair to Hawaii's CPA candidates and Hawaii CPAs.** It allows for lower CPA licensing standards for foreign and out-of-state CPAs who practice in Hawaii versus higher standards that must be met by Hawaii-licensed CPAs. Out-of-state CPAs should meet Hawaii's higher, time-tested standards for licensure for the protection of Hawaii's consumers. For example, Hawaii's experience requirement of 1,500 hours of audit experience or two years of public accounting experience or its equivalent is higher than the standard of one year of general experience for CPA licensure provided for in HB995. In addition, under HB995, foreigners can take certain "substitute" foreign accounting exams in lieu of passing the U.S. AICPA CPA exam.
- **HB995 will result in the loss of thousands of dollars in licensing fees from out-of-state CPAs since HB995 provides that no fees will be charged to out-of-state individual CPAs practicing in Hawaii and certain out-of-state CPA firms.** This is troubling since there will be higher costs of enforcement against foreign and out-of-state CPA practitioners. Hawaii CPAs would have to shoulder the entire burden of the state's CPA licensing fees, and those fees would probably be



**John Resuello
276 Keonekai Road
Kihei, HI 96753**

**Before the Committee on Consumer Protection
& Commerce and the
Committee on Judiciary**

**Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325**

**Re: Opposition to HB995
Relating to Public Accountancy**

Testimony of John Resuello

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I oppose HB995; I am a staff associate of a Maui CPA firm. I graduated from Washington State University in August of 2008, and have only begun my journey in the accounting discipline. Like many others before me, I follow a path of accountancy full of optimism. Such faith that I hope will be there for the ones after me. It is with such concerns of the future, that I demerit the "no notice, no fees" CPA mobility legislation for the following reasons:

Excessive economic hardships on the state of Hawaii: Tourism is Hawaii's largest industry. Contributing to as much as 30% of gross state product, with the current recession tourism is down across all islands. With an already flailing local economy if we were to allow out-of-state and foreign CPAs to practice in Hawaii with no apathy for local jobs then Hawaii's state industry would struggle greatly. There are efforts to help diversify the state of Hawaii's industry, and expand by being less reliant on tourism, but to "pull the rug out from beneath us" would set the state back mightily in its plans for economic diversity and stability.

Unfairness to Hawaii's CPA candidates and CPAs: As an aspiring CPA it troubles me to understand with this bill that foreign and out-of-state CPAs will not have to meet the high-standards for CPA designation in the state of Hawaii. This is not only unfair for accounting professionals, but for the clients. By passing this unnecessary burden to the clients will result in higher costs for accounting firms to maintain its clientele. If I had known, as a student, that I could practice accounting in Hawaii, but not gain my familiarity in the state, then I may have taken that direction instead. HB995 puts inequitable value in this regard.

Inequitable benefit for Hawaii CPAs: A math equation is simple, one side equals the other. HB995's equation, however, is imbalanced. The legislation grants the practice rights for out-of-state CPAs without similar practice rights for Hawaii CPAs to practice in other states. Hawaii has always been known as a destination area for many a populace, but this asymmetry creates no equal room for Hawaii's CPAs, and its residents. If anything, at least have the benefits equal on both sides of the equation.

For the reasons stated above, I John Resuello oppose HB995, and respectfully request that you vote "NO" on this bill.

Thank you for this opportunity to testify.

Sincerely,



**Royle Taogoshi
2150 Lower Kula Rd.
Kula, HI 96790**

**Before the Committee on Consumer Protection
& Commerce and the
Committee on Judiciary**

**Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325**

Re: Opposition to HB995

Relating to Public Accountancy

Testimony of Royle Taogoshi

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I oppose HB995. I am a Senior Accountant with Niwao & Roberts, CPAs, A P.C. with 4 years of experience working in public accounting. I oppose this "no notice, no fees" CPA mobility legislation for the following reasons:

- **Loss of Hawaii jobs will result when out-of-state and foreign CPAs practice freely in Hawaii without a Hawaii CPA license and permit to practice, with lower CPA licensing standards, no payment of fees, and no notice of practice in Hawaii to the Hawaii Board of Public Accountancy. In the current economic climate, this is not the time to enact legislation that would lead to outsourcing of Hawaii jobs.**

Farron E. Maielua
P.O. Box 330571
Kahului, HI 96733

**Before the Committee on Consumer Protection
& Commerce and the
Committee on Judiciary**

**Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325**

**Re: Opposition to HB995
Relating to Public Accountancy**

Testimony of Farron Elizabeth Maielua

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I oppose HB995. I am a staff accountant of Niwao & Roberts, CPAs, a Professional Corporation with 1 year of experience working in public accounting. I oppose this "no notice, no fees" CPA mobility legislation for the following reasons:

- **Loss of Hawaii jobs** will result when out-of-state and foreign CPAs practice freely in Hawaii without a Hawaii CPA license and permit to practice, with lower CPA licensing standards, no payment of fees, and no notice of practice in Hawaii to the Hawaii Board of Public Accountancy. In the current economic climate, this is **NOT** the time to enact legislation that would lead to outsourcing of Hawaii jobs.
- **HB995 is unfair to Hawaii's CPA candidates and Hawaii CPAs.** It allows for lower CPA licensing standards for foreign and out-of-state CPAs who practice in Hawaii versus higher standards that must be met by Hawaii-licensed CPAs. Out-of-state CPAs should meet Hawaii's higher, time-tested standards for licensure for the protection of Hawaii's consumers. For example, Hawaii's experience requirement of 1,500 hours of audit experience or two years of public accounting experience or its equivalent is higher than the standard of one year of general experience for CPA licensure provided for in HB995. In addition, under HB995, foreigners can take certain "substitute" foreign accounting exams in lieu of passing the U.S. AICPA CPA exam.

As a recently graduated Bachelor's in accounting student, I feel that this is completely uncalled for and unfair to those of us who have not only studied hard in Hawaii but are also going through the real hands-on training of public accounting work. I have to work two years, full-time, in public accounting to even become a licensed CPA and someone else can come in with less? Not to mention the continuing education that we must undergo just to keep up with Federal and Hawaii laws. I think the right choice here is very clear.

**Ann E. Fukuoka
P.O. Box 473
Kahului, HI 96733**

**Before the Committee on Consumer Protection
& Commerce and the
Committee on Judiciary**

**Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325**

**Re: Opposition to HB995
Relating to Public Accountancy**

Testimony of Ann E. Fukuoka

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I oppose HB995. I am an employee of Niwao & Roberts, CPAs, a Professional Corporation with 18 years of experience with a public accounting firm. I oppose this "no notice, no fees" CPA mobility legislation for the following reasons:

- **Loss of Hawaii jobs** will result when out-of-state and foreign CPAs practice freely in Hawaii without a Hawaii CPA license and permit to practice, with lower CPA licensing standards, no payment of fees, and no notice of practice in Hawaii to the Hawaii Board of Public Accountancy. In the current economic climate, this is not the time to enact legislation that would lead to outsourcing of Hawaii jobs.
- **HB995 is unfair to Hawaii's CPA candidates and Hawaii CPAs.** It allows for lower CPA licensing standards for foreign and out-of-state CPAs who practice in Hawaii versus higher standards that must be met by Hawaii-licensed CPAs. Out-of-state CPAs should meet Hawaii's higher, time-tested standards for licensure for the protection of Hawaii's consumers. For example, Hawaii's experience requirement of 1,500 hours of audit experience or two years of public accounting experience or its equivalent is higher than the standard of one year of general experience for CPA licensure provided for in HB995. In addition, under HB995, foreigners can take certain "substitute" foreign accounting exams in lieu of passing the U.S. AICPA CPA exam.
- **HB995 will result in the loss of thousands of dollars in licensing fees from out-of-state CPAs since HB995 provides that no fees will be charged to out-of-state individual CPAs practicing in Hawaii and certain out-of-state CPA firms.** This is troubling since there will be higher costs of enforcement against foreign and out-of-state CPA practitioners. Hawaii CPAs would have to shoulder the entire burden of the state's CPA licensing fees, and those fees would probably be increased with the loss of tens of

thousands of dollars in fees currently collected from out-of-state CPAs who pay permanent Hawaii license and permit to practice fees or temporary permit to practice fees.

- **State legislative control of licensing matters for foreign and out-of-state CPAs practicing in Hawaii would be relinquished to the AICPA and NASBA, two large, national, private membership organizations.** The proposed legislation provides that for non-Hawaii residents, NASBA will be the determining authority as to which foreign and out-of-state CPAs can permanently practice in Hawaii without a Hawaii license and permit-to-practice. If enacted, NASBA (and the AICPA) can and will modify each state's licensing laws without legislative hearings or input from Hawaii consumers or other interested parties.
- **No reciprocal benefit for Hawaii CPAs.** This legislation is one-sided and only provides practice rights for out-of-state CPAs without similar "no notice, no fees" practice rights given to Hawaii CPAs and Hawaii CPA firms to practice in most other states. Although there are some states that have recently adopted CPA mobility legislation, these are typically states with lower CPA licensing standards. In addition, many of these states charge fees, require notice, restrict the scope of practice privileges given to out-of-state CPAs, require CPA firm licensing, or require reciprocal arrangements from the CPA's home state.
- **Hawaii already grants temporary permits-to-practice, with fees** for incidental practice in order to accommodate out-of-state CPAs.
- **Fabricates a false solution for a problem that doesn't exist.** Although others have argued that mobility legislation is necessary to allow practitioners to prepare out-of-state tax returns because of the new electronic age, CPAs and other tax practitioners have been preparing out-of-state tax returns for decades as a matter of practice, and the Hawaii State Tax Department has no restriction on out-of-state tax preparers preparing Hawaii tax returns.

For the reasons stated above, I strongly oppose HB995 and respectfully request that you vote "NO" on this bill.

Thank you for this opportunity to testify.

Respectfully submitted,



Ann E. Fukuoka

JAMES C.L. MOO, C.P.A., INC.
6700 Kalaniana'ole Highway
Suite 218
Honolulu, Hawaii 96825
(808) 396-6988

FAXED
1/30/09

TELECOPIER COVER SHEET

DATE: **January 30, 2009**

TO: **Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and Committee Members**

OF: **Committee on Consumer Protection & Commerce and the Committee On Judiciary**

YOUR TELECOPIER NO.: **586-8479**

FROM: **JAMES C.L. MOO, CPA**

OUR TELECOPIER NO.: **(808) 396-6989**

RE: **Opposition to HB995 relating to Public Accountancy**

NO. OF PAGES: 3 including this page. Please call if you've had any problems receiving or if there are any pages missing.

James C. Moo, CPA

I AM FAXING YOU A COPY OF MY WRITTEN TESTIMONY IN OPPOSITION TO HB995.

PLEASE CONTACT ME IF YOU HAVE ANY QUESTIONS OR REQUIRE ANY ADDITIONAL INFORMATION. THANK YOU.

Original is being mailed to you.
 Original is NOT being mailed to you.

CONFIDENTIALITY NOTE: This communication is intended only for the individual or entity named above, and may contain legally privileged and confidential information. If you are not the intended recipient, or an agent responsible for the delivery of this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this message is strictly prohibited. If you have received this message in error, please notify us immediately by telephone and return this message and any accompanying document to us at the address listed above by mail. Thank you.

JAMES C. L. MOO, C.P.A., INC.
6700 Kalaniana'ole Highway
Suite 218
Honolulu, Hawaii 96825
(808) 396-6988
January 30, 2009

Before the Committee on Consumer Protection & Commerce
and the
Committee On Judiciary

Monday, February 2, 2009 at 2:00 p.m.
Conference Room 325

Re: Opposition to HB995 Relating to Public Accountancy

Testimony of James C.L. Moo, C.P.A.

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and Committee Members:

I oppose HB995. I am a Past President of the Hawaii Association of Public Accountants (HAPA) and a practicing Certified Public Accountant (CPA) in Hawaii for over 30 years. I am also a former Board of Governor of the National Society of Accountants (HAPA's national affiliate consisting of about 13,000 members internationally).

I oppose this "no notice, ne fees" CPA mobility legislation for the following reasons:

- **Loss of Hawaii jobs** will result when out-of state and foreign CPAs are allowed to practice freely in Hawaii without a Hawaii CPA license and permit to practice, with lower CPA licensing standards, no payment of fees, and no notice of practice in Hawaii to the Hawaii Board of Public Accountancy. With Hawaii's current economic climate, this is not the time to enact legislation that would lead to outsourcing of Hawaii jobs.
- **HB995 is not fair to Hawaii's CPA candidates and Hawaii CPAs.** It allows for lower CPA licensing standards for foreign and out-of state CPAs who practice in Hawaii in contrast to higher standards that must be met by Hawaii-licensed and permitted CPAs.
- **HB995 will result in loss of licensing fees from out-of-state CPAs since this legislation provides that no fees will be charged.** There will probably be increased costs of enforcement against foreign and out-of-state CPA practitioners. Hawaii CPAs paying fees for Hawaii licenses and permits to practice should not have to bear these potential increased costs.

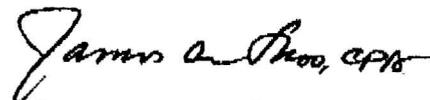
Page Two
January 30, 2009

- **State legislative control of licensing matters for foreign and out-of-state CPAs practicing in Hawaii would be relinquished to NASBA and the AICPA, two large, national, private membership organizations.** This proposed legislation provides that for non-Hawaii residents, NASBA will be the determining authority as to which foreign and out-of-state CPAs can permanently practice in Hawaii without a Hawaii license and permit to practice. If enacted, NASBA (and the AICPA) can and will modify each states' respective licensing laws without legislative hearings or input from Hawaii consumers or other interested parties.
- **There is no reciprocal benefit for Hawaii CPAs.** This proposed legislation is one-sided and only provides practice rights for out-of-state CPAs with no similar "no notice, no fees" practice rights given to Hawaii CPAs and Hawaii firms to practice in most other states. Some states that have recently adopted similar mobility legislation typically have lower than Hawaii's licensing standards. Further, many of these states charge fees, require notice, restrict the scope of practice privileges given to out-of-state CPAs, require CPA firm licensing, or require reciprocal arrangements from the CPA's home/resident state.
- **Hawaii already grants temporary permits to practice, with fees for incidental practice in order to accommodate out-of-state CPAs.**
- **Fabricates a false solution for a problem that does not exist.** Some have argued that mobility legislation is necessary to allow practitioners to prepare out-of-state tax returns because of the new electronic/digital age. CPAs and other tax practitioners have already been preparing out-of-state tax returns for many years as a matter of practice. Further, our Hawaii State Department of Taxation has no restriction on out-of-state tax preparers preparing Hawaii tax returns.

For these reasons stated above, **I strongly oppose HB995 and respectfully request that you note "NO" on this bill.**

Thank you for this opportunity to testify.

Respectfully submitted,



James C.L. Moo, C.P.A.

JCLM:jmn

**Before the Committee on Consumer Protection
& Commerce and the
Committee on Judiciary**

Monday, February 2, 2009 at 2:00 p.m.

Conference Room 325

Re: Opposition to HB995

Relating to Public Accountancy

Testimony of Justin Serrano

Chair Herkes, Chair Karamatsu, Vice Chair Wakai, Vice Chair Ito and committee members:

I oppose HB995. I am a staff accountant with a Maui CPA firm and I oppose this "no notice, no fees" CPA mobility legislation for the following reasons:

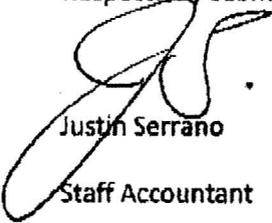
- **Loss of Hawaii jobs:** This legislation will lead to outsourcing of Hawaii jobs. Out-of-State and foreign CPAs will practice in Hawaii without a Hawaii CPA license and permit to practice. At all costs, we need to keep our jobs in Hawaii!
- **Hawaii CPA candidates must pass a higher, time-tested standards for licensure.** However, this legislation allows foreign and out-of-state CPAs to practice with lower CPA licensing standards and/or take "substitute" foreign accounting exams. We must keep our high-level of Hawaii accounting standards high, and uncompromised, for the benefit of all the people in Hawaii.

- **No reciprocal benefit for Hawaii CPAs.** This legislation is one-sided and only provides practice rights for out-of-state CPAs without similar "no notice, no fees" practice rights given to Hawaii CPAs and Hawaii CPA firms to practice in most other states. Although there are some states that have recently adopted CPA mobility legislation, these are typically states with lower CPA licensing standards.

For the reasons stated above, I strongly oppose HB995 and respectfully request that you vote "NO" on this bill.

Thank you for this opportunity to testify.

Respectfully submitted,



Justin Serrano

Staff Accountant

842 Hoomau St

Wailuku, HI 96793

From: info Account [info@hscpa.org]
Sent: Sunday, February 01, 2009 1:46 PM
To: CPCtestimony
Subject: Hearing: Feb. 2, 2009 - Testimony in Support of HB 995

**House Committee on Consumer Protection & Commerce
House Committee on Judiciary**

**Monday, February 2, 2009
2:00 p.m.
Conference Room 325**

Presented by: **Tim Lyons – Legislative Liaison
Ross Murakami – Past President, Hawaii Society of CPAs**

Subject: **HB 995 – Relating to Public Accountancy**

Chair Herkes, Chair Karamatsu and Members of the Joint Committee:

I am Tim Lyons, Legislative Liaison for the Hawaii Society of Certified Public Accountants (HSCPA) and with me is Ross Murakami, past president and Board of Director of the HSCPA. We are in support of House Bill 995.

This bill proposes practice mobility for CPAs: the ability of a licensee to gain **temporary** practice privilege outside of his/her home state without getting an additional license in another state where he/she will be serving a client. Examples include filing tax returns in other states, client requests for consulting and due diligence when a business operates in more than one state, and large engagements that require a firm to bring in extra people from out of state. All of these situations involve “temporary practice” across state lines.

- This has nothing to do with outsourcing of Hawaii jobs nor does it apply to “foreign” CPAs. Implementation of a uniform provision would allow Hawaii consumers to receive timely services from the CPA best suited to the job, regardless of the location, without the hindrances of unnecessary filings, forms and increased costs that do not protect the public interest.

The reality is that out-of-state CPAs seeking a practice privilege in Hawaii are doing so to serve an existing client - either one that resides in the state or is from another state but has a nexus to the state. What the mobility provision will do is give the Hawaii Board of Public Accountancy jurisdiction over these individuals which will enhance the protection to Hawaii consumers.

- The initial licensing standards in Hawaii are comparable to the requirements in other licensing jurisdictions. All but one jurisdiction requires continuing professional education (CPE) and over 40 mandates peer review for CPA firms. These requirements ensure continuous learning and checks on a firm’s quality and practice. Again as the opposition purports, this provision has nothing to do with “foreigners taking substitute exams.” Foreign accountants wishing to practice in the U.S. must have met the requirements from any of the 55 jurisdictions.

- In the jurisdictions that have already implemented this provision, there has not been a significant loss of revenue, and it will be difficult, if not impossible, to gauge the future impact of any reduced revenue. While in-state CPAs may value the ability to have a more portable license and would be willing to pay an additional cost that would allow them to practice freely in other jurisdictions, there is a provision under this proposal that will require out-of-state firms to gain a firm registration for performing certain services, and this registration will generate revenue.
- The NASBA/AICPA Uniform Accountancy Act (UAA) is a model licensing law that is used to provide guidance and support to states in enacting statutory provisions that regulate the practice of accountancy. In the instance of mobility, state CPA societies, state boards of accountancy, and CPA firms across the country have joined forces with NASBA and AICPA in supporting the uniform adoption and enactment of the mobility provision found in the UAA.
- There are 31 states that have enacted a UAA-compliant mobility provision and would grant mobility practice privileges to Hawaii when their laws take effect (3 of which have reciprocal provisions), and at least 15 states that have indicated mobility activity in their 2009-2010 sessions.
- Records indicate that there are only a handful of temporary permits granted per year. The reality is, and even the opposition will agree, that there are a significant number of licensees who are doing business in Hawaii without a temporary permit. With this mobility provision, the Hawaii Board of Public Accountancy will gain automatic jurisdiction over all CPAs practicing in Hawaii, enable states to discipline out-of-state licensees, whether they are registered or licensed in the state – unlike the current situation as it exists today.
- Because of the electronic age that makes conducting business across state borders an everyday occurrence, there is a critical need for states to adopt a uniform mobility system that will allow licensed CPAs to provide services across state lines without unnecessary burdens that do not protect the public interest. CPAs in Hawaii are serving clients everyday outside of the state – mostly by electronic means. Businesses today are often located in multiple states and have compliance responsibilities in multiple jurisdictions and a uniform process will give CPAs the flexibility to better serve these clients.

Compliance and enforcement of the existing system is almost impossible, with multiple, cumbersome processes and disparities in requirements. Business realities, including an increase in interstate commerce and virtual technologies require a uniform system that allows fluid practice across state lines.

On behalf of the only organization in Hawaii consisting of and representing CPAs, we urge you to give **HB 995 a favorable report** and ask that you expedite this for enactment in this 2009 session.

Respectfully submitted,

Tim Lyons, Legislative Liaison
 Ross Murakami, Past President / Board of Director
 Hawaii Society of Certified Public Accountants (HSCPA)