

STAND. COM. REP. NO.

565

Honolulu, Hawaii

MAR 05 2015

RE: S.B. No. 543
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 543 entitled:

"A BILL FOR AN ACT RELATING TO PUBLIC ACCOUNTANCY,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Create a practice privilege for certain certified public accountants licensed in another state whose out-of-state license meets certain requirements; and
- (2) Establish a limited privilege to practice in Hawaii for out-of-state accountancy firms that meet certain requirements.

Your Committee received testimony in support of this measure from C&Y CPAs, LLC and over five hundred pages of testimony from individuals. Your Committee received testimony in opposition to this measure from the Hawaii Association of Public Accountants; Niwao & Roberts, CPAs, a P.C.; and twelve individuals. Your Committee received comments on this measure from the Regulated Industries Complaints Office of the Department of Commerce and Consumer Affairs and Board of Public Accountancy.

Your Committee finds that practice mobility is the ability of a certified public accountant to gain a temporary practice privilege outside of that accountant's home state without getting an additional license. However, Hawaii is currently the only



state without individual mobility. Your Committee further finds that many certified public accountants in Hawaii serve business clients who have operations in multiple states and compliance responsibilities that may cover multiple jurisdictions. Permitting individual mobility for certified public accountants will enable Hawaii certified public accountants to offer their services to clients throughout the country.

Your Committee has heard the testimony regarding accountancy firm mobility proposed by this measure. Your Committee notes that Hawaii has a unique peer review law for accountancy firms. Hawaii also has a unique firm ownership requirement that differs from the vast majority of states and the Uniform Accountancy Act. Your Committee has also heard the concerns of the Board of Public Accountancy regarding the ability to enforce the compliance of out-of-state accountancy firms with Hawaii's unique accountancy firm laws. Your Committee understands these concerns and concludes that amendments to this measure are necessary to remove references to accountancy firm mobility. However, your Committee also concludes that additional amendments are necessary to ensure additional consumer protection and compliance with the State's general excise tax requirements.

Accordingly, your Committee has amended this measure by:

- (1) Deleting language that would have established a limited privilege to practice in Hawaii for out-of-state accountancy firms and deleting other language referring to accountancy firm mobility;
- (2) Clarifying the requirements that an out-of-state certified public accountant must meet prior to engaging in a limited privilege to practice public accountancy in Hawaii, including requiring the individual to register with the Board of Public Accountancy and provide the Board with the individual's Hawaii general excise tax number;
- (3) Specifying additional requirements for an out-of-state certified public accountant who holds a limited privilege to practice in Hawaii, including:
 - (A) Subjecting the individual to the jurisdiction and disciplinary authority of the Board of Public Accountancy and state courts;

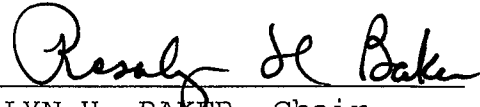


- (B) Requiring compliance with any laws, rules, and regulations applicable to individuals engaging in practicing privileges in the State;
 - (C) Specifying service of process requirements;
 - (D) Requiring cooperation with Board of Public Accountancy investigations, inquiries, or requests;
 - (E) Specifying situations or actions that would require an individual to cease exercising the practice privilege in Hawaii, including a requirement to notify the Board within fifteen calendar days of ceasing practice; and
 - (F) Requiring the individual's certificate, license, or permit number on which the privilege to practice in Hawaii is based and the individual's Hawaii general excise tax number to be included on any invoice for services;
- (4) Specifying that an individual who engages in the practice of public accountancy without obtaining a privilege to practice shall be deemed to have engaged in unlicensed activity and subject to civil and criminal prosecution;
 - (5) Clarifying that the individual privilege to practice does not allow an out-of-state accountancy firm to practice in Hawaii without first obtaining a Hawaii license and firm permit to practice;
 - (6) Inserting an effective date of January 1, 2050, to encourage further discussion; and
 - (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 543, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 543, S.D. 1, and be placed on the calendar for Third Reading.



Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,

A handwritten signature in cursive script, reading "Rosalyn H. Baker". The signature is written in dark ink and is positioned above a horizontal line.

ROSALYN H. BAKER, Chair



The Senate
Twenty-Eighth Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* <div style="font-size: 1.2em; font-family: cursive;">SB 543</div>	Committee Referral: <div style="font-size: 1.2em; font-family: cursive;">CPN</div>	Date: <div style="font-size: 1.2em; font-family: cursive;">2/13/15</div>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"><input type="checkbox"/> Pass, unamended 2312</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Pass, with amendments 2311</div> <div style="text-align: center;"><input type="checkbox"/> Hold 2310</div> <div style="text-align: center;"><input type="checkbox"/> Recommit 2313</div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)		✓		
KAHELE, Gilbert	✓			
KIDANI, Michelle N.	✓			
NISHIHARA, Clarence K.	✓			
WAKAI, Glenn	✓			
SLOM, Sam				✓
TOTAL	5	1	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="font-size: 1.5em; font-family: cursive; margin-left: 20px;">[Signature]</div>				
<div style="display: flex; justify-content: space-between; font-size: 0.8em;"> <div>Distribution: Original File with Committee Report</div> <div>Yellow Clerk's Office</div> <div>Pink Drafting Agency</div> <div>Goldenrod Committee File Copy</div> </div>				

*Only one measure per Record of Votes