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David B. Ramos, CPA & Associates

February 3, 2015

Before the Senate Committee on Commerce and Consumer Protection

Wednesday, February 4, 2015 at 9:00 a.m.

Conference Room 229

Re: Opposition to SB543 Relating to Public Accountancy

Chair Baker, Vice Chair Taniguchi, and Committee Members:

I am a CPA and practice public accounting on Hawaii island. I have had my CPA license since 1974 and worked as an auditor for Deloitte from June 1970 through June 1976. After 25 years in private industry I returned to the business of Public Accountancy in 2003 and have been active in the practice of public accountancy for the last eleven years as owner and principal of my own firm. I have had many non-resident clients who used out of state CPAs to prepare annual tax returns without regard for Hawaii General Excise Tax and Income Tax compliance requirements resulting in significant tax revenue losses for Hawaii.

I strongly oppose SB543 which provides for "no notice, no fees" CPA mobility for out-of-state CPAs practicing in Hawaii. Passing this bill will result in:

- outsourcing and loss of Hawaii jobs,
- reducing Board control of current Hawaii licensed out-of-state CPAs (presently over 600 CPAs or 22% of the total 2,750 Hawaii CPA licensees are from out-of-state), and,
- lowering tax collections from out-of-state CPAs who no longer will be required to provide Hawaii General Excise Tax (GET) numbers on firm permit applications and renewals. Before the requirement to provide GET numbers, over 70% of out-of-state CPA temporary permit

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holders worked for firms who failed to obtain Hawaii GET numbers which are required to pay Hawaii taxes.

SB543 also discriminates against local Hawaii CPAs by failing to provide a "fair and level playing field" as compared to out-of-state CPAs.

Some of those provisions include:

1. Requiring lower UAA "substantially equivalent" licensing standards for out-of-state CPAs (which require only one year of "any kind" of experience) while Hawaii CPAs achieve higher licensing standards of two years of public accounting experience or its equivalent,
2. Exempting the requirement of firm permits for certain out-of-state CPAs which is necessary to comply with Hawaii's new peer review requirement (eff. January 1, 2015). SB543 appears to attempt to circumvent Hawaii peer review rules requiring peer review of Hawaii work that were enacted to assure higher standards of CPA practice in Hawaii,
3. Allowing out-of-state CPA firms with only majority CPA ownership to practice in Hawaii even though Hawaii CPA firms must be 100% owned by Hawaii CPAs. Allowing out-of-state CPA firms to practice with only majority CPA firm ownership fails to protect Hawaii consumers, and
4. Exempting out-of-state CPAs practicing in Hawaii under CPA mobility rules from having to pay higher licensing fees at a time when licensing fees for Hawaii CPAs are set to increase (possibly substantially) due to technology costs in upgrading the DCCA computer systems, and,
5. Failing to provide authority to assess fees and stiffer fines against out-of-state CPAs to recover costs of investigation and any disciplinary action if a complaint is filed against them.

Please vote NO to SB543 for the above reasons.

Thank you for this opportunity to testify.

Respectfully submitted,

David B. Ramos, CPA

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