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Support HB 657 (Rita)

Updates to the Illinois Public Accounting Act

HB 657 proposes several updates to the Illinois Public Accounting Act (Act) in an effort to continue to promote the highest professional standards for certified public accountants, and to protect the public. The changes and updates outlined below bring the Act up-to-date with contemporary accounting standards and the Uniform Accounting Act.

CPA Firm Mobility-This legislation provides for CPA firm mobility. This would allow CPA firms to operate in states in which they do not have a physical presence without registering the firm or paying new fees as long as they meet the peer review requirements and non-CPA ownership requirements of the state. The implementation of firm mobility follows “individual CPA mobility” which was enacted in Illinois in 2006. The underlying concept is that the CPAs operate much like a driver’s license in that the CPA provides professional services across state lines. The underlying tenants are “no notice, no fee, no escape,” because a CPA would only need a license in one state and wouldn’t have to give any special notice or pay any fees when performing services in another state. The CPA and in this case the CPA firm would remain subject to the laws and regulations of both the state in which he or she is licensed as well as any state in which the firm engages in temporary practice. CPA firm mobility is fundamentally about creating a modern and effective regulatory regime for the accounting profession in the decades to come. It is about generating a level playing field across the states, ensuring public protection without unnecessary paperwork and reflecting the ways in which CPAs and CPA firms operate. Fourteen states (or almost one-third of the country) have already implemented firm mobility and these respective states’ regulatory agencies have not reported any problems in their ability to regulate the profession.

CPE Reciprocity-Consistent with the mobility theme, HB 00 also provides for CPA Continuing Professional Education reciprocity. During the 2016 Accounting Act Administrative Rules update, it was agreed upon by the Illinois Department of Financial and Professional Regulation and the Illinois CPA Society to include CPE reciprocity in the rules. Due to limiting language of the statute, CPE reciprocity could not be incorporated into the rules. CPE reciprocity exempts CPAs who hold multiple state licenses from having to meet the individual CPE requirements of each state so long as the licensee meets the CPE requirements of their home state. This exemption encourages uniformity while removing unnecessary burdens that do not play a role in protecting the public interest. Nearly half of all states and jurisdictions have adopted some form of CPE reciprocity.

Peer Review clarification-Another update includes clarifying language for Peer Review Requirements. The amended language is consistent with updated Administrative Rules, Peer Review Standards and current practices. CPAs and CPA Firms must undergo a Peer Review as a condition of licensure if they perform audits.

CPA Coordinator-HB 00 would authorize the IDFPR Secretary to appoint a CPA Coordinator to oversee the administration and regulatory functions of the CPA Profession. Currently, there is one and a half IDFPR Staff assigned to administer the accounting profession. As the fastest growing high end profession regulated by IDFPR, the CPA Coordinator would be a full-time in-house resource that would provide IDFPR professional practice expertise on the increasing complexities of accounting standards and enhanced federal regulatory oversight of CPA audits and services. A coordinator position of this nature is not unprecedented. Other professions such as appraisers, nurses and physicians and real estate have an in-house, full-time licensed professional as coordinators for the respective licensed profession. Programmatically, the Registered CPA license and disciplinary fund is resourced to fund a full-time position of this nature in addition to other authorized charge backs to fund IDFPR operations.

In sum, HB 657 serves the public's interest by adopting contemporary regulatory paradigms of expansion of mobility to CPA Firms, adopting Continuing Education reciprocity and providing for a full-time in-house licensed CPA to coordinate the administration of the CPA profession. Importantly, HB 00 update the Act to reflect contemporary regulatory standards of the accounting profession so that Illinois may continue to be a leading destination for CPAs throughout the country.

Proponents:

Illinois CPA Society