



Improve CPA Firm Mobility – Expand the Current “Practice Privilege” to Include all CPA Services

WHAT IS CPA FIRM MOBILITY?

In 2007, the Texas Legislature, through the adoption and enactment of HB 2144, created a “practice privilege” for CPA firms licensed in other states that have substantially equivalent licensing requirements to Texas. This “practice privilege” allows these out-of-state CPA firms to practice in Texas without a Texas firm license, as long as they do not establish an office in the state or provide financial statement audits or other attest services for a client in Texas.

The legislature approved this practice privilege because it recognized that with the increased mobility of the business community and the continuing development and application of technology, CPAs can now practice or assist clients anywhere, at any time, without a direct physical presence or location.

CPA firms that utilize this out-of-state “practice privilege” in Texas agree that as a condition of the privilege of practicing without a Texas firm license:

- They are subject to the personal and subject matter jurisdiction and disciplinary authority of the Texas State Board of Public Accountancy (TSBPA);
- They must comply with the Texas Public Accountancy Act and rules of TSBPA; and
- The privilege ends if their certificate or registration in their home state is no longer valid. In that event, they must immediately cease offering or rendering professional services in Texas.

A CHANGING NATIONAL LANDSCAPE

Since Texas enacted this provision in 2007, the American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA) have adopted a broader firm mobility provision that applies to all services as part of the national Uniform Accountancy Act (UAA). Twenty-six other states have adopted this national standard on “practice privileges for CPA firms” that applies to all public accounting services, and these states do not require firm licensure for financial statement audits and other attest services, as Texas currently does. In addition, other states plan to pursue legislation to enact broad CPA firm mobility in 2019 and 2020. So, this is becoming the national standard on this issue.

Texas should join these other states and expand the current “practice privilege” in Chapter 901 to all public accounting services, including financial statement audits and attestation services for clients based in Texas. Adoption of a broader practice privilege for out-of-state firms will enhance cross-border practice by reducing administrative burdens on CPA firms, afford the public greater choice in obtaining needed services from CPA firms and continue to protect the public.

HOW IS THE PUBLIC PROTECTED UNDER CPA FIRM MOBILITY?

The public has the exact same protections under CPA Firm Mobility as they do with a law that requires out-of-state firms to register with the State Board of Public Accountancy. The Board’s authority to investigate, fine, or even revoke a practice privilege remains unchanged. Additionally, the State Board initiates investigations into potential wrongdoing by in-state or out-of-state CPA firms whenever there is credible evidence meriting such an investigation, as such investigations are generally complaint driven.