

Testimony of John Sharbaugh Before the House Committee on Licensing and Administrative Procedures

March 12, 2019

Mr. Chairman and members of the Committee. Thank you for the opportunity to provide input on HB 1520 to continue the functions of the Texas State Board of Public Accountancy.

My name is John Sharbaugh and I am the Managing Director of Governmental Affairs for the Texas Society of CPAs. TXCPA is a professional organization for CPAs in Texas with more than 26,000 members.

I am here to express our support of the committee substitute for HB 1520 proposed by Representative Thompson which would expand the current “practice privilege” for out-of-state CPA Firms and provide for enhanced CPA Firm Mobility.

Since 2007, through the enactment of HB 2144, Texas has had 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.

Since Texas enacted this provision twelve years ago, twenty-seven other state legislatures have now enacted a broader “practice privilege” for out-of-state firms that covers all services CPA firms provide and these states do not exclude audit or attest services as Texas currently does. This broader standard is being promoted by the American Institute of CPAs and the National Association of State Boards of Accountancy and it is fast becoming the accepted standard on this issue. The hope is that eventually all states will take this approach and enhance the ability of the CPA profession to practice nationally while maintaining effective regulation and enforcement at the state level.

Adoption of this committee substitute by Rep. Thompson will enhance cross-border practice by reducing administrative burdens on CPA firms, affording the public with greater choice in obtaining needed services from CPA firms while continuing to protect the public.

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.

We encourage the committee to adopt this committee substitute. And we thank you for the consideration of our comments and the opportunity to present them today. I’m happy to answer any questions you may have.