



Hawaii Association of Public Accountants

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Dear HAPA Member or Fellow CPA:

Answers to Selected Questions on CPA Individual and Firm Mobility SB 543 and HB 243

1. **Does Hawaii individual CPA mobility legislation affect the rights of Hawaii-licensed CPAs to practice in other states? Answer: No.**

Hawaii CPA individual mobility legislation has nothing to do with movement by Hawaii CPA licensees to other states. It is legislation that provides for temporary practice privileges in Hawaii for out-of-state CPAs whose principal place of business is not in Hawaii.

Hawaii's CPA licensing standards are higher than most other states, and Hawaii CPAs are already considered "substantially equivalent" and can practice in other states, subject to the CPA mobility rules of each state.

Separate from CPA mobility laws, a growing number of states have enacted tax preparer registration laws that negate CPA mobility legislation for out-of-state CPAs in tax practice. Two examples on the West Coast are Oregon and California. Those two states have tax preparer registration requirements that include registration, examination (for Oregon), and state-specific tax education. As a result, CPA mobility in those states are more myth than reality.

2. **Hawaii is the last state that has not enacted individual CPA mobility laws. Because of this, shouldn't Hawaii also pass an individual CPA mobility law? Answer: No.**

Hawaii already has a temporary permit to practice for out-of-state CPAs to handle temporary needs.

If the out-of-state CPA comes on a regular basis to Hawaii, holds him/herself out as a CPA and solicits for local jobs, that CPA should obtain a regular Hawaii CPA license. There is no restriction on out-of-state CPAs obtaining a Hawaii license; in fact, approximately 22% (over 600) of Hawaii-licensed CPAs are from out-of-state.

In addition to the above problem, CPA licensing laws are set up for the protection of Hawaii's consumers, and CPA licensing laws are not uniform across the nation. Whether or not a state should adopt CPA mobility laws depends upon the circumstances of each state. In the case of Hawaii:

- a) Hawaii is not a contiguous mainland state. It is a remote island state and an attractive vacation destination spot. The distance and cost of investigating and pursuing enforcement action against out-of-state CPAs makes it impractical to prosecute out-of-state CPAs who violate Hawaii's laws or harm Hawaii's consumers. Because of these circumstances, **Hawaii's consumers can only be protected by controls that are placed at the front end before consumers are harmed rather than rely upon after-the-fact remedies.**
- b) Hawaii's General Excise Tax laws are unique in the nation and the Hawaii GET is not a sales tax. Unlike other states, GET is applied to gross service and rental income so overall Hawaii tax rates can be kept low.

Far too many out-of-state CPAs are unfamiliar with the types of income and exemptions that are subject to this tax. The combination of a lack of familiarity and only a temporary short-term practice in Hawaii too often results in Hawaii clients being misinformed by out-of-state CPAs.

3. Should Hawaii eliminate CPA firm permits and have CPA firm mobility for out-of-state firms as provided in SB 543 and HB 243? Answer: No.

Hawaii is unique in the nation in that it is the only state to have conducted a study on state tax compliance and business registration observance of CPAs granted a temporary permit to practice. The results were shocking. Over 70% of out-of-state CPA temporary permit holders in 2007 and 2008 were working for firms that did not obtain a Hawaii General Excise Tax (GET) license necessary to pay Hawaii taxes, and a sampling of these firms revealed they also did not register to do business in Hawaii.

Subsequently, at HAPA's insistence, Hawaii GET numbers are now required for all firms, including any out-of-state firm whose employees or partners seek a temporary permit to practice. Adopting CPA firm mobility in Hawaii will eliminate these controls, and, based upon past experience, will once again result in widespread tax evasion by out-of-state CPA firms.

With no notice, out-of-state CPAs would be ghosts, able to operate under the consumer protection and tax compliance radars.

HAPA's study proved that No Notice + No Fees = No Enforcement.

Thank you for considering the above.

**For Questions Concerning Individual CPA and Firm Mobility Legislation,
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