

Revisions of the Board's Rules - "CPA Mobility"

In 2007 the State Board of CPAs of Louisiana (Board) considered the "CPA mobility" initiative that has been supported by the National Association of State Boards of Accountancy, the AICPA, and the Society of Louisiana CPAs. As a result, the Board has changed its Rules to implement legislation enacted in Louisiana (Act 102 of 2007) that explicitly establishes the Board's jurisdiction and disciplinary authority over out of state CPAs who exercise practice privileges and provide services to Louisiana clients from outside the state or who enter the state to practice. Thus, the Board will no longer require notice and fees to be submitted by out of state CPAs who meet the qualifications for practice privileges. The Rule revisions become effective on December 20, 2007.

Under the old rule an out of state CPA meeting certain requirements was required to submit a notice and pay a fee in order to obtain practice privileges in Louisiana. The Rule revisions remove the notice and fee requirements for CPAs who qualify.

Therefore, licensed CPAs who are domiciled outside of Louisiana and do not have their principal place of business in Louisiana, and who satisfy the "substantially equivalent" criteria, can exercise practice privileges **without submitting a notice form or a fee.**

The "practice privileges" allows the out of state CPA the same rights as a licensed CPA, that is, to use the CPA title in Louisiana and serve Louisiana clients. The CPA may enter the state temporarily, as needed, to conduct engagements and/or to perform fieldwork.

In addition, out of state **CPA firms** (those firms with no office here) are required to have a Louisiana firm permit **only** if they perform for a client whose home office is located in Louisiana, an audit or other engagement under SAS or GAO standards, an examination of prospective financial information, or an engagement in accordance with PCAOB auditing standards.

By law, a CPA of another state exercising practice privileges in Louisiana and the CPA firm which employs the CPA consents, as a condition to the grant of this privilege, to the following:

- (a) the personal and subject matter jurisdiction and disciplinary authority of the Board.
- (b) compliance with the provisions of the Louisiana Accountancy Act and the rules and regulations adopted by the Board.
- (c) in the event the license from the state of the individual's principal place of business is no longer valid, the individual shall cease offering or rendering professional services in this state individually and on behalf of a CPA firm.
- (d) the appointment of the board of accountancy which issued his license as his agent upon whom process may be served in any action or proceeding by this board against the licensee.

Individual CPA -- Practice Privileges

CPAs who are domiciled outside of Louisiana and who do not have a principal place of business in Louisiana qualify for and may exercise CPA practice privileges in Louisiana (and no fee, notice, or application is required to be submitted to the Louisiana Board) under any of the following conditions:

- (1) The CPA has an original license from a *substantially equivalent* state*:

The CPA maintains his or her original valid active CPA license (or permit to practice) that was issued by a “substantially equivalent” state, **or**

The CPA previously held an original valid active CPA license (or permit to practice) that was issued by a “substantially equivalent” state, but because of a re-location of domicile and principal place of business to another state, he or she maintains a valid active CPA license from the other state that was issued under reciprocity, **or**

The CPA previously held an original valid (active) Louisiana CPA license, but because of a re-location of domicile and principal place of business to another state, he or she maintains an active valid (active) CPA license from the other state that was issued under reciprocity.

* “Substantially equivalent” states are those designated by the Louisiana Board as having similar licensing requirements to Louisiana requirements, and are as follows:

Alabama	Idaho	Mississippi	New Mexico	South Dakota
Alaska	Iowa	Missouri	Oklahoma	Tennessee
Arkansas	Kansas	Montana	Oregon	Texas
Connecticut	Kentucky	Nebraska	Pennsylvania	Utah
Georgia	Maine	New Jersey	South Carolina	Washington

- (2) A CPA [not qualifying under item (1)] who has individual qualifications *substantially equivalent* to the CPA licensure requirements of Louisiana, as follows:

The CPA holds a valid active CPA license issued by a state board of accountancy and has passed the Uniform CPA Examination (or IQEX examination, if applicable), and he or she:

- has 150 semester hours of college education and has at least one year of CPA supervised accounting related experience in the last four years, **or**
- has four years of experience outside of Louisiana as a practicing CPA (or Chartered Accountant if applicable) within the last ten years.

Out of State CPA Firm - Firm Permit Requirements

CPA firms, which do not an office or a place of business in Louisiana and which satisfy Louisiana firm ownership and peer review requirements, that provide services in Louisiana or to Louisiana clients are required to have a Louisiana firm permit **only** if they perform any of the following services for a client whose home office is located in Louisiana:

- audit or other engagement under SAS or Government Auditing Standards, or
- examination of prospective financial information under SSAE, or
- engagement in accordance with PCAOB auditing standards

EXCERPTS
Title 46
PROFESSIONAL AND OCCUPATIONAL STANDARDS
Part XIX. Certified Public Accountants

Chapter 11. ...

§1105. ... Practice Privileges under Substantial Equivalency...

...

E. Practice Privileges under Substantial Equivalency

1. An individual holding a valid active CPA license issued by another state board of accountancy, who satisfies the requirements of R.S. 37:94 and Rule subsection 1105.E.4 regarding substantial equivalency, shall be granted the privilege to practice as a CPA in Louisiana without the need to obtain a Louisiana certificate provided that such individual is not domiciled and does not have a principal place of business in Louisiana.

2. An individual, under the provisions of this section, who offers or renders professional services or uses the CPA title, whether in person, by mail, telephone, electronic, or other means *practices in Louisiana*, shall be granted practice privileges without the necessity of giving notice to the board or paying a fee to the board.

3. An individual granted practice privileges and his firm are subject to the requirements of R.S. 37:94(A)(3). In the event the license upon which the practice privileges are based is no longer active or valid, the practice privileges shall expire and the individual must cease using the CPA title in Louisiana and must cease offering or rendering professional services in Louisiana individually and on behalf of his firm.

4. Determination of Substantial Equivalence

(a) With respect to substantial equivalence under R.S. 94.A(1), the board shall have publicly available a listing of states which the board has verified to be in substantial equivalence with the original licensure requirements of the Act. Any individual holding an original valid CPA license issued by a substantially equivalent state is qualified for practice privileges.

(b) With respect to substantial equivalence under R.S. 94.A(2), any individual, who does not currently hold an original valid CPA license issued by a state which the board has verified to be in substantial equivalence with the original licensure requirements of the Act, is qualified for practice privileges if he holds a valid active CPA license issued by a state board of accountancy and has passed the Uniform CPA Examination (or IQEX examination if applicable), and he:

(i) has 150 semester hours of college education and has at least one year of CPA supervised accounting related experience in the last four years, or

(ii) has four years of experience outside of Louisiana as a practicing CPA (or Chartered Accountant if applicable) within the last ten years.

5. An individual granted practice privileges may perform the following services for a client whose home office is in Louisiana only through a firm which has obtained a permit issued under R.S. 37:77 and Rule §1501:

(a) a financial statement audit or other engagement to be performed in accordance with Statements on Auditing Standards or Government Auditing Standards;

(b) any examination of prospective financial information to be performed in accordance with Statements on Standards for Attestation Engagements; or

(c) any engagement to be performed in accordance with PCAOB auditing standards.

Chapter 15.

§1501. CPA Firm Permits ...

A. Any firm which has or establishes an office or place of business in Louisiana which provides attest services or which uses the title "CPA", "CPAs", "CPA firm", "Certified Public Accountant", "firm of Certified Public Accountants", or similar such designations and firms described in subsection 1501.B must obtain and hold a valid and current firm permit issued by the board under R.S. 37:77.A. The use of any of the above titles or designations anywhere on firm letterhead, business cards, electronic correspondence, advertisements or publications, promotional materials, or any other publicly disseminated medium by a firm not holding a valid and current firm permit is not allowed if it implies the existence of an entity that holds a current and valid firm permit issued by the board under the provisions of R.S. 37:77.A:

1. the board may require that such firm applying for issuance, renewal or reinstatement of a firm permit to provide any and all information and/or documentation that the board deems appropriate and necessary to ensure the firm's compliance with all provisions of the Act;

2. any such CPA firm organized as and/or represented as a professional accounting corporation is considered to be using the title "firm of certified public accountants" and therefore must hold a firm permit, pursuant to R.S. 37:77.A;

3. "active individual participants" as referred to in R.S. 37:77.C(2)(b) means natural persons, firms, associations, partnerships, corporations, or other business organizations or entities, in which all owners of such entities must provide personal services in the CPA firm or its affiliated entities in the nature of management, performance of services for clients, performance of services which assist the certificate holders within the firm in providing professional services, or similar activities; and

4. a person or entity which makes or holds a passive investment in a CPA firm or its affiliated entities for the purposes of receiving income from the firm or its affiliated entities shall not constitute "active individual participation" as referred to in R.S. 37:77.C(2)(b);

5. a certificate holder, or an individual granted practice privileges under R.S. 37:94, who is responsible for supervising attest services, or who signs or authorizes someone to sign accountant's reports on behalf of the firm, shall meet the experience and competency requirements for a "practitioner in charge" as set forth in AICPA Quality Control Standards;

...

B. A firm which does not have an office or a place of business in Louisiana that offers to perform or performs services described in Paragraph 1105.E(5) for a client whose home office is in Louisiana must hold a permit issued under R.S. 37:77 and Subsection 1501.A.

C. A firm which does not have an office or a place of business in Louisiana that offers to perform or performs professional services other than those cited in Paragraph 1105.E(5) for a client whose home office is in Louisiana may perform such services and use the title "CPA" or "CPA firm" without a permit only if:

1. the firm satisfies the ownership qualifications described in R.S. 37:77(C) and is subject to quality or peer review under a state board of accountancy approved program or under the AICPA Peer Review Program and has completed such a quality or peer review within the last three years,

2. the firm performs such services only through individual licensees with practice privileges under R.S. 37:94 and Subsection 1105.E or holding a license issued under R.S. 37:77, and

3. the firm can lawfully perform such services in the state where such individual licensees have their principal place of business.

4. If the firm does not satisfy one or more of the requirements cited in Paragraphs 1, 2 and 3 above, the firm must apply for a permit for a board determination as to whether the firm is qualified to practice in Louisiana.