

1999 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1150

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1150

House Industry, Business, and Labor Committee

Conference Committee

Hearing Date January 11, 1999

Tape Number	Side A	Side B	Meter #
1	x		50-55
1		x	0-34.8
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes:

CHAIRMAN BERG OPENED THE HEARING ON HB 1150; A BILL RELATING TO SUBSTANTIAL EQUIVALENCY FOR OBTAINING A CERTIFICATION OR LICENSE TO PRACTICE PUBLIC ACCOUNTANCY.

DICK BRANSWELL, North Dakota State Board of Accountancy, introduced HB 1150. (See attached testimony).

REP. KLEIN asked about the experience requirement.

BRANSWELL said there is no current experience requirement.

REP. KLEIN further questioned the verification factor - doesn't experience typically have to be verified by a licensed official?

BRANSWELL said they were not sure yet how that would be done.

REP. KLEIN noted that to gain experience you need to work under someone. Isn't that necessary?

BRANSWELL said that they do conduct this in various areas.

REP. JOHNSON asked about the six months requirement.

BRANSWELL replied that that section is more of a transitional area. It is something of a codification - at some point it will need to be done.

CHAIRMAN BERG made note that the overall objective is to allow individuals to work among states that share the same requirements. We don't want to be creating barriers keeping people from becoming licensed or maintaining their licenses.

BRANSWELL said that anyone who wants to license in the state of North Dakota. has to register themselves in the state of North Dakota. It will be easier for all of us.

CHAIRMAN BERG questioned the experience component as the major problem?

BRANSWELL said yes, that is one of the key elements in our state as opposed to all of the other states.

REP. KLEIN asked what the experience requirement was in other states.

BRANSWELL replied that presently it varies. Minnesota is at three years and is thinking about changing it to one year.

REP. THORPE asked if it was a problem that brought this up.

BRANSWELL replied that this substantial equivalency to get it more uniform throughout the state.

REP. GLASSHEIM asked who confers substantial equivalency upon a person or upon a firm. Is it a status?

BRANSWELL noted that it is a term that has been used to describe objectives - it is not a status.

REP. GLASSHEIM asked how do we know when we have it?

BRANSWELL said that when our law is substantially equivalent to the other laws within the other states that we work with so that as the state of North Dakota is the same way equivalent with the laws.

REP. GLASSHEIM asked who makes the determination of who confers the power to make the example of substantial equivalency.

BRANSWELL said that the national board will know which states are substantially equivalent so we will have the decision made - but we won't know who is a part and who isn't.

REP. KEISER asked if the standard equivalency is defined on the basis of degrees and courses taken?

BRANSWELL said that it is based on 150 hour requirement of courses taken.

REP. JOHNSON asked if the state's economy is substantially equivalent in North Dakota to the other states, can I get my C.P.A license in the state of North Dakota - can I practice in the state of Minnesota or do I have to apply for a license there as well?

BRANSWELL said yes, you can practice there - but your license does not transfer.

REP. KEISER asked if we have reciprocity with other states.

JIM ABBOT, NDSBA and NDSCPA, said that the reciprocity sections contain provisions that say that states that treat our states likewise. If we found out that states that were substantially equivalent and yet they were a horrendous burden to accept our people - we would have to visit that.

REP. KEISER continued that we are creating another section so this subsection now will stand on it's own. Isn't this kind of a new arena that states are moving into. We aren't really sure what role other states are going to play on our practicing within their jurisdiction in addition to the substantial equivalency.

ABBOT said that it may happen - one state may create a burden. There is always that potential that that will happen. Hopefully it will be an improvement, not an additional barrier.

REP. KEMPENICH mentioned that we do have the rules authority in case that came up. I was just looking in A.2 - you are going to make rules over and above this section.

ABBOT said that under the board powers, there has been a specific addition that the board has the authority to enact rules relating to substantial equivalency. Some may be on how to apply, what fee might be attached.

KEN TUPA, NDSCPA, introduced Randy Christianson, legislative chair for NDSCPA; Ron Tolstad, NDSCPA, and Jerry Spaedy, NDSCPA to provide testimony.

RANDY CHRISTIANSON testified in support of HB 1150. (See attached testimony).

REP. GLASSHEIM asked what the difference is between a permit and a license and what the change would mean to individuals practicing.

CHRISTIANSON said that this simplifies the process to practice within the state. It eliminates one tier.

RON TOLSTAD testified in support of HB 1150. (See attached testimony).

REP. GLASSHEIM asked why the client is not given permission in Section 12 on Page 19.

TOLSTAD said that we don't have to get permission from the client.

REP. GLASSHEIM asked if that puts the client at risk at all?

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House Industry, Business, and Labor Committee

Bill/Resolution Number Hb 1150

Hearing Date January 11, 1999

TOLSTAD said it would be an unusual instance if there was such a serious thing found that they would be violated.

JERRY SPADE testified in support of HB 1150. He said that there is no such thing as an individual permit. If it is a one person firm, you have to have it. If this bill is passed there will be no such thing as an individual permit.

CHAIRMAN KEISER CLOSED THE HEARING ON HB 1150.

January 12, 1999

COMMITTEE ACTION

REP. FROSETH moved a DO PASS on HB 1150. REP. ECKSTROM seconded the motion.

The motion carried.

ROLL CALL - 14 YEA, 0 NAE, 1 ABSENT AND NOT VOTING.

FLOOR ASSIGNMENT - REP. BREKKE

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1150 1-12-99

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-12-99

Tape Number	Side A	Side B	Meter #
2	x		3025 - 4561
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes: Chairman Berg opened the discussion of HB 1150.

The issue with this bill had to do with allowing other people to practice in ND, we want to insure that they are not preventing our people from practicing in their state.

Rep. Brekke: I think this will fall into the area of substantial equivalency.

Ron Tolstad: This bill was drafted for free trade, if we have substantial equivalency then let them in to this state.

Rep. Froseth made a motion of a Do Pass.

Rep. Ekstrom second the motion.

The roll call was 14 yea, 0 nay, 1 absent.

The motion carries.

Rep. Brekke will carry the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1150 Amendment to: _____

Requested by Legislative Council Date of Request: 1-4-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

See over

2. State fiscal effect in dollar amounts:

1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds

Revenues:

Expenditures: See Narrative (Over)

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: \$2000
- b. For the 1999-2001 biennium: Negligible
- c. For the 2001-03 biennium: Negligible

4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

See Narrative (Over)

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Jim Abbott

Date Prepared: 1/7/99

Department North Dakota State Board of Accountancy

Phone Number 800-532-5904

10 copies sent 1/7/99 to J. Walster

Fiscal Note**Bill Number HB 1150.***Section 1. Narrative:*

1. The bill eliminates the "individual" permit to practice, which will result in a revenue decline to the agency of about \$16500 per biennium. However, the Board will likely cover this decline by adjusting certificate and license renewal fees, which are set by rule. An adjustment of \$5 per renewal would more than cover the decline.

2. Staff time related to applications will be increased by the new experience provision, but also decreased by the elimination of the residence requirement and the probable streamlining of the reciprocal application. We estimate no net change in the administrative staffing needs of the agency due to these issues.

3. The bill "grandfathers" candidates who will have parts of the CPA Exam passed as of March 2000 (approximately 55 candidates); without this provision, many of these particular candidates will incur additional college costs, which will in turn result in additional cost to the university system.
Cost saving: unknown.

4. The bill deletes various details about Continuing Professional Education (CPE), but allows for the Board to require CPE by rule for all licensees. CPE is now required of accountants in public practice, and the Board will be enacting rules with similar provisions. The Board may also propose CPE for all other accountants, which could result in additional costs for government agencies that pay educational expenses; the Board will provide for exceptions to the CPE provisions, which could impact these expenses. Fewer accountants will be considered to be in public practice due to redefining the term, and this may lessen CPE costs for some government agencies. We estimate no net change in the administrative staffing needs of the agency, due to these issues.
Cost effect on other governmental units: unknown.

5. The Board will incur costs in preparing rules as a result of the bill.
Net cost: approx. \$2000.

Date: 1-12-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1150

House Industry, Business and Labor Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass

Motion Made By Froseth Seconded By Ekstrom

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg	/		Rep. Thorpe		
Vice Chair - Kempenich	/				
Rep. Brekke	/				
Rep. Eckstrom	/				
Rep. Froseth	/				
Rep. Glassheim	/				
Rep. Johnson	/				
Rep. Keiser	/				
Rep. Klein	/				
Rep. Koppang	/				
Rep. Lemieux	/				
Rep. Martinson	/				
Rep. Severson	/				
Rep. Stefonowicz	/				

Total (Yes) 14 No 0

Absent 1

Floor Assignment Brekke

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 12, 1999 5:10 p.m.

Module No: HR-06-0524
Carrier: Brekke
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1150: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **DO PASS** (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1150 was placed on the Eleventh order on the calendar.

1999 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1150

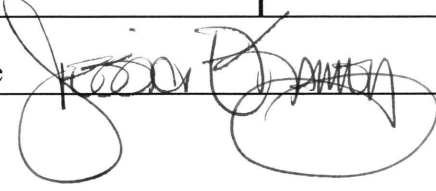
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1150

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date February 24, 1999

Tape Number	Side A	Side B	Meter #
1		x	0-1,490
Committee Clerk Signature 			

Minutes:

Senator Mutch opened the hearing on HB1150. All senators were present.

Dick Brammel, North Dakota Board of Accountancy, testified in support of HB1150. His testimony is included. Senator Klein asked him if this is just a state thing and if this would only effect the CPA's. Mr. Brammel told him that it was a national thing and that it would effect both CPA's and LPA's. Senator Klein asked him if the students would have to go to school and then gain one year experience. Mr. Brammel told him that he was correct. Senator Klein asked him how this would effect the graduating seniors that are looking to get a job. Mr. Brammel told him that it would not be a factor in hiring, just licensing. Senator Mutch asked him what the annual fee was to be a CPA. He was told that it costs \$40 per year to maintain a license. Senator Klein asked him how much it cost to take the exam. He was told that it would \$140 to take the exam. Senator Sand asked him if all this experience had to take place after graduation. Mr.

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number Hb1150

Hearing Date February 24, 1999

Brammel told him that he did not believe that it had to. Senator Krebsbach asked him if other states required that the majority be owned by a licensee. Mr. Brammel told her that they did.

Ron Tolstad Jr., National Board of Directors for the North Dakota Society of CPA's, testified in support of HB1150. His testimony is included.

Jerry Spadey, Executive Director for the ND Society of Public Accountants, testified in support of HB1150.

Senator Mutch closed the hearing on HB1150.

Senator Thompson motioned to pass the amendments on HB1150. Senator Klein seconded his motion. The motion carried with a 7-0-0 vote.

Senator Sand motioned for a do pass with amendments committee recommendation on HB1150.

Senator Thompson seconded his motion. The motion carried with a 6-1-0 vote.

Senator Klein will carry the bill.

SENATE AMENDMENTS TO HB 1150 - ACCOUNTANCY BILL.

Page 8 lines 19 through 23, strike existing and proposed wording and replace with

determined by board rule to be appropriate. An individual who on December 31, 1999 meets the requirements of subdivision a may obtain a certificate under subdivision a provided the individual passes the examination in accordance with board rules prior to December 31, 2004.

Page 9 line 6 through 9, strike existing and proposed wording and replace with

to the examination it deems appropriate to assist it in performing its duties. The board may permit a candidate to take the examination if the board is satisfied that the candidate will complete the educational requirements of this section within six months after application to take the examination.

Date: 3/08
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
HOUSE BILL/RESOLUTION NO. 1150

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken AMEND

Motion Made By THOMPSON Seconded By KLEIN

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Sand	X				
Senator Krebsbach	X				
Senator Klein	X				
Senator Mathern	X				
Senator Heitkamp	X				
Senator Thompson	X				

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Date: 3/8
 Roll Call Vote #: 2 SR 515213

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
 HOUSE BILL/RESOLUTION NO. 1150

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS AS AMENDADO

Motion Made By SAND Seconded By THOMPSON

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Sand	X				
Senator Krebsbach	X				
Senator Klein	X				
Senator Mathern	X				
Senator Heitkamp		X			
Senator Thompson	X				

Total (Yes) 6 No 1

Absent 0

Floor Assignment KLEIN

REPORT OF STANDING COMMITTEE

HB 1150: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1150 was placed on the Sixth order on the calendar.

Page 8, line 19, replace "March 1," with "December 31, 1999, meets the requirements of subdivision a may obtain a certificate under subdivision a if the individual passes the examination in accordance with board rules before December 31, 2004."

Page 8, remove lines 20 through 23

Page 9, line 7, replace "prohibit" with "permit" and replace "from taking the examination if the candidate does" with "to take the examination if the board is satisfied that the candidate will complete the educational requirements of this section within six months after the candidate's application to take the examination."

Page 9, remove lines 8 and 9

Renumber accordingly

1999 TESTIMONY

HB 1150

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JAMES S. ABBOTT, Executive Director
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Grand Forks, ND 58201-6029

Comments in support of HB 1150

My name is Dick Brammell. I serve as Chair of the North Dakota Board of Accountancy. I'm a CPA, working full time for the accounting firm of Eide Bailly.

This bill has been submitted as an agency bill of the Board of Accountancy. It contains various amendments to current accounting law. I will briefly highlight 5 key changes being proposed.

1. There is a proposal to allow "**grandfathering**" those with credit for 2 or more parts of the CPA Exam as of 3/1/2000. This provision will allow these candidates to be certified under current education requirements [or an experience option] -- without having to meet the new education standard that becomes effective in the year 2000.
2. Specific **exam details** are moved out of the law, and would then be placed into rule where they could be amended in the future without a law change. Changes will probably be needed when the exam is computerized early in the new century.
3. **Non-licensee ownership** is being made allowable under this bill. Licensees must still own a majority of the firm. The firm and its owners have to comply with all board rules regarding ownership.
4. We are taking steps to qualify the state for "**substantial equivalency**". This is a national "qualification" for states judged to be equivalent to three key parts of the Uniform Accountancy Act -- the CPA Exam, 150 hours of education, and experience. North Dakota lacks only the experience component. The concept is that licensees from substantially equivalent states would be able to practice in other states, with less regulation burden. Non-resident individuals could practice in this state without having to be certified here (if they have a certificate from a "substantially equivalent" state or they personally qualify for substantial equivalency). Notification and a fee could still be required. By practicing in North Dakota under this option, a licensee would be consenting to the jurisdiction of the Board, and to comply with N.D. accounting law and rules. Our licensees rendering services in another state would be subject to discipline in N.D. for acts committed in another state for which they'd be subject to discipline in that other state. The Board will be required to investigate complaints made by the board of another state.
5. A **one-year experience** requirement is being proposed, for those applying for certification after 12-31-2000. The provision has wide latitude as to what experience qualifies. The experience has to be verified, but not by a licensee, nor does it have to be experience gained under a licensee's direct supervision. The requirement is also being added to the foreign reciprocity section. Existing ND licensees will be "grandfathered" out of the provision.

If the committee members have any questions, I or others here today will certainly try to answer them.



Comments in support of HB 1150 Amendments to the N.D. Accounting Law

I'm Randy Christianson, chair of the CPA Society Legislative Committee.
I am also on the Society Board of Directors.

The CPA Society Board supports the Board of Accountancy amendments.

My comments will address a few other features of the bill.

The bill eliminates an element of the accounting regulatory system -- the individual permit to practice. These will no longer be required. In order to use the term "accountant" etc., one must simply be a licensee (hold a certificate or LPA license, not a permit). Firms will still need a permit to practice public accounting or use designations like "CPAs", "LPAs", etc. Individual licensees may only provide public accounting services in a firm that has a permit. The proposal eliminates a current requirement that each office be under the charge of a permitholder.

The bill removes continuing education details from the law, but allows for the board to require CPE by rule. The task force felt that CPE should be expected of all CPAs, but they didn't include such a provision directly in the bill. A CPE-for-all provision could be enacted by rule, but licensees would be notified in advance, and given opportunity to comment.

The bill revises the definition of "public accounting" -- by eliminating tax, consulting and management advisory services (unless performed by a firm with a permit). These eliminated services could be performed by CPAs in commercial businesses or in public accounting firms.

In the past, residence has been a condition for writing the exam and therefor becoming a CPA. This has been a troublesome entrance requirement for the State Board to administer, and this bill removes the provision.

Again, the CPA Society Board supports the Board of Accountancy amendments.

**TESTIMONY FOR THE HOUSE
INDUSTRY BUSINESS AND LABOR COMMITTEE**
January 11, 1999

Testimony of: Ron Tolstad Jr., CPA
 Member of the Board of Directors
 North Dakota Society of CPAs

Testimony in support of HB 1150, relating to the State's accountancy law.

Chairman Berg and members of the Industry Business and Labor Committee. I'm Ron Tolstad and I was a member of the "1999 Law Review Task Force" which wrote this bill. I work for the Office of the State Auditor but I am not speaking on behalf of the Office of the State Auditor.

The Task Force began its work late in 1997. It was a seven-person team with two representatives from: the State Board of Accountancy; the Society of CPAs; the Society of Public Accountants, and one staff person. I represented the North Dakota Society of CPAs on this task force. I am happy to say we put together a bill that each of these groups could support.

As shown on the back of this testimony, we took numerous steps to obtain the necessary input to write this bill. Indeed from the beginning, obtaining consensus was a major goal of the State Board of Accountancy and the task force. The task force met 10 times to work on this bill over the best part of a year. A lot of work went into HB 1150.

The bill makes numerous changes as you've heard from Mr. Brammell and Mr. Christianson. This proposed legislation would, among other things:

- position the State, to qualify for "substantial equivalency;"
- insure fairness to candidates who have conditioned the CPA exam as of the year 2000;
- prepares the State to adapt to changes in the CPA Examination;
- removes the administrative requirement for individual permits to practice; and,
- clarifies that tax, consulting and management advisory services can be performed by CPAs outside the structure of a CPA firm.

The NDSCPA's board of directors unanimously supports HB 1150.

Thank you for this opportunity to testify on this bill. I would be happy to try to answer any questions you might have.

1999 Law Changes
Due Process

Dakota CPA newsletter articles:

- January 99
- November 98 (included within SBA notes section)
- September 98
- July 98
- May 98
- November 97
- September 97
- July 97

Meetings:

- Chapter tour 98
- Ten meetings of the 99 Law Review Task Force.
- Open Forum, with AICPA representative John Hunnicutt December 9, 1997.
- Public meeting: November 19, 1998 10:00 am, at West Fargo Days Inn. Synopsis and bill draft copies available.
- Public meeting: Thurs., November 19, 1998 1:30 PM, at the Capitol (Missouri River Room). Synopsis and bill draft copies available.
- Synopsis provided at Tax Practitioners Institute, November 12, 1998 Fargo.

Articles sent to Society of LPAs:

- January 99
- August 98
- June 1998

Mailings:

- 7/20/98 Society Board was sent a copy of the proposed North Dakota accounting law changes, shown side-by-side with the Uniform Accounting Act, with memo.
- 11/10/98 bulk mailing of synopsis / hearing dates to all licensees
- 11/11/98 email with attached '99synop.doc, amend_43.doc for mailing to EAs, NDSPA associate members and unlicensed members

**TESTIMONY FOR THE SENATE
INDUSTRY BUSINESS AND LABOR COMMITTEE**
February 24, 1999

Testimony of: Ron Tolstad Jr., CPA
 Member of the Board of Directors
 North Dakota Society of CPAs

Testimony in support of HB 1150, relating to the State's accountancy law.

Chairman Mutch and members of the Industry Business and Labor Committee, welcome back to Bismarck. I am Ron Tolstad and I am a member of the North Dakota Society of Certified Public Accountants. I was a member of the "1999 Law Review Task Force" which wrote this bill. I work for the Office of the State Auditor but I am not speaking on behalf of the Office of the State Auditor.

The Task Force began its work late in 1997. It was a seven-person team with two representatives from the State Board of Accountancy; the Society of CPAs; the Society of Public Accountants, and one staff person. I was one of the representatives from the North Dakota Society of CPAs on the law task force. I am happy to say we put together a bill that each of these groups could support.

As shown on the back of this testimony, we took numerous steps to obtain the necessary input to write this bill. Indeed from the beginning, obtaining consensus was a major goal of the State Board of Accountancy and the task force. The task force met 10 times to work on this bill over the best part of a year. A lot of work went into HB 1150.

The bill eliminates an unnecessary element of the accounting regulations -- the individual permit to practice. In order to use the term "accountant," one must simply be a licensee (hold a certificate or LPA license). Firms will still need a permit to practice public accounting or use designations like "CPAs" and "LPAs." As in the past, individual licensees will only be able to provide public accounting services in a firm that has a permit.

The bill also removes continuing education details from the law, but allows for the board to require CPE by rule. The task force felt that CPE should be expected of all CPAs, but they didn't include such a provision directly in the bill. A "CPE for all licenses" provision could be enacted by rule.

The bill revises the definition of "public accounting" -- by eliminating tax, consulting and management advisory services (unless performed by a firm with a permit). These eliminated services could be performed by CPAs in commercial businesses or in public accounting firms.

Another of the changes deals with residency. In the past, residence has been a condition for writing the exam and therefor becoming a CPA. This has been a troublesome entrance requirement for the State Board to administer, and the members of the task force did not think a residency requirement was necessary or desirable, this bill removes the provision.

I am also here today to express the support of the North Dakota Society of CPAs for this bill. The NDSCPA's board of directors unanimously supports HB 1150.

Thank you for this opportunity to testify on this bill. I would be happy to try to answer any questions you might have.

Addendum
1999 Law Changes
Due Process

Dakota CPA newsletter articles:

- January 99
- November 98 (included within SBA notes section)
- September 98
- July 98
- May 98
- November 97
- September 97
- July 97

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- 11/11/98 email with attached '99synop.doc, amend_43.doc for mailing to EAs, NDSPA associate members and unlicensed members

NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

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To: Senator Jerry Klein
Vice Chairman, Agriculture, Industry, Business & Labor
North Dakota Senate
600 E Blvd Ave
Bismarck ND 58505

From: Dick Brammell, CPA

Senator Klein:

I am writing to convey my support for the amendments being proposed to HB1150 as attached.

On Friday, March 5, I was involved in a conference call where the enclosed amendments were discussed. I am comfortable with the wording and invite you to contact me at (701) 239-8541 to discuss this matter.

Please support passage of HB1150 with amendments in the senate.



North Dakota Society of Public Accountants

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JOSEPH TATE
State Board of
Accountancy
Portland, ND

March 6, 1999

To Whom It May Concern:

On behalf of the membership of the North Dakota Society of Public Accountants, I hereby concur with changes to HB 1150 Page 8, lines 19 through 23 and page 9, lines 6 through 9.

Dwight Hetletved

President



North Dakota State Board of Accountancy

Telephone: 701-775-7100 Fax: 701-775-7430

Comments in support of HB 1150

My name is Dick Brammell. I serve as Chair of the North Dakota Board of Accountancy. I'm a CPA, working full time for the accounting firm of Eide Bailly.

This bill has been submitted as an agency bill of the Board of Accountancy. It contains various amendments to current accounting law. I will briefly highlight 5 key changes being proposed.

1. Next year a new education standard becomes effective. This bill has a provision to allow "**grandfathering**" **those with credit for 2 or more parts of the CPA Exam as of 3/1/2000**. This will allow these candidates to be certified under current education requirements [or an experience option] -- without having to meet the new education requirements.
2. Specific **exam details** are moved out of the law, and would then be placed into rule where they could be amended in the future without a law change. Changes will probably be needed when the exam is computerized early in the new century.
3. **Non-licensee ownership** is being made allowable under this bill. Licensees must still own a majority of the firm. The firm and its owners will have to comply with all ownership-related rules.
4. We are taking steps to qualify the state for "**substantial equivalency**". This is an upcoming national "qualification" for states judged to be equivalent to at least 3 key parts of the Uniform Accountancy Act -- the CPA Exam, 150 hours of education, and experience. North Dakota lacks only the experience component, and will not qualify without it.

The idea is that licensees from substantially equivalent states will be able to practice in other states, with less of a regulation burden. Non-residents could practice in this state without having to be certified here (if they have a certificate from a "substantially equivalent" state, or they personally qualify for substantial equivalency). Notification and a fee could still be required by our state. By practicing in North Dakota under this option, a licensee would be consenting to the Board's jurisdiction, and to comply with our accounting law and rules. Our licensees providing service in another state would be subject to discipline here for acts they commit in another state for which they'd be subject to discipline in that other state. Our Board will be required to investigate complaints from another state's board. The designation "substantially equivalent" will be granted at a national level.

5. As mentioned, the key element lacking for North Dakota to be considered "substantially equivalent" is an experience requirement. This bill includes a **one-year experience** requirement, for those applying for certification after 12-31-2000. This will mean that when a person becomes a CPA, they will have at least one year of work experience, which includes providing services that involve the use of accounting skills or tax, consulting, etc. It does not mandate that candidates work in a specific setting, or perform only a few particular services -- which could have made things more difficult for some. The experience can be gained in industry, education, public accounting, or government. Experience must be verified, but not necessarily by a licensee. Accountants don't always work directly under the supervision of a licensee, and we will accommodate those type of situations, so the experience provision isn't an undue burden. Experience is also being added to the foreign reciprocity section. Existing North Dakota licensees will be "grandfathered" out of the provision.

If the committee members have any questions, I or others here today will certainly try to answer them. Also Jim Abbott is here and can respond to questions; he is our Board executive director.