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# A BILL FOR AN ACT

RELATING TO PUBLIC ACCOUNTANCY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 SECTION 1. The purpose of this Act is to:

2 (1) Clarify the rules governing practice in this state by  
3 firms and individuals licensed to practice public  
4 accounting in other states; and

5 (2) Insure that all certified public accountants  
6 practicing in Hawaii are subject to the disciplinary  
7 power of the state board of public accountancy.

8 SECTION 2. Chapter 466, Hawaii Revised Statutes, is  
9 amended by adding two new sections to be appropriately  
10 designated and to read as follows:

11 **"§466-A Limited practice by certain out-of-state firms.**

12 (a) A certified public accounting firm that holds a current  
13 valid license to practice public accounting in another state,  
14 has its primary place of business in that state, and does not  
15 maintain an office in Hawaii, may practice public accountancy in  
16 this state subject to the restrictions and conditions in this  
17 section upon giving notice to the board as set forth in  
18 subsection (c); provided that the firm's practice in this state



1 is performed by and through an individual who either holds a  
2 permit to practice under this chapter or practices under a  
3 privilege under section 466-B.

4 (b) As a condition of practicing in this state pursuant to  
5 this section, the firm shall:

6 (1) Be subject to the personal and subject matter  
7 jurisdiction and disciplinary authority of the board  
8 and the courts of this State;

9 (2) Comply with this chapter, chapter 436B, and with all  
10 applicable rules established by the board;

11 (3) Be deemed to have irrevocably appointed the regulatory  
12 agency of the state that issued the firm's license as  
13 the firm's agent, upon whom process may be served in  
14 any action or proceeding by the board against the  
15 firm;

16 (4) Cease to practice in this state and notify the board  
17 within ten days of:

18 (A) The entry or issuance of any criminal conviction  
19 or disciplinary order, including suspension or  
20 revocation of the firm's license; or



1           (B) The date the firm's license in the state where  
2           the firm's principal place of business is located  
3           becomes inactive, lapses, or is forfeited;

4           and

5           (5) Cooperate with any investigation or inquiry of the  
6           board, timely respond to any board investigation,  
7           inquiry, request, notice, demand, or subpoena for  
8           information or documents, and timely provide to the  
9           board the identified information and documents.

10          (c) Notice of a firm's intent to practice public  
11          accountancy under this section shall be given to the board  
12          pursuant to section 466-A(a) using such forms and procedures as  
13          the board may require; provided that such notice shall be a  
14          public record and shall include a statement by the firm that it  
15          understands and consents to the requirements of this section.

16          (d) Upon a determination by the board that a firm has  
17          engaged in practice under this section for a length of time and  
18          to an extent that is effectively equivalent to establishing an  
19          office in this state, the board may notify the firm that it no  
20          longer qualifies for a privilege under this section.

21          (e) For purposes of this section, the "practice of public  
22          accountancy" includes the performance of professional services



1 for persons or entities located in this state, regardless of  
2 whether the services are rendered through direct physical  
3 presence or through electronic communications.

4 (f) Failure to comply with this section shall subject the  
5 firm to disciplinary action by the board.

6 (g) The board may recover all reasonable costs incurred as  
7 part of its investigative, administrative, and disciplinary  
8 proceedings from any firm disciplined under this section.

9 **§466-B Limited practice by out-of-state practitioner.** (a)  
10 An individual who holds a current valid license to practice as a  
11 certified public accountant issued by another state whose  
12 principal residence and principal place of business are in that  
13 state and who does not maintain an office in this state may  
14 practice public accountancy in this state subject to the  
15 restrictions and conditions in this section upon giving notice  
16 to the board as set forth in subsection (d); provided that:

17 (1) The National Association of State Boards of  
18 Accountancy's National Qualification Appraisal Service  
19 has verified that the other state has education,  
20 examination, and experience requirements for  
21 certification or licensure that are comparable to or  
22 exceed the requirements for licensure as a certified



1           public accountant of The American Institute of  
2           Certified Public Accountants/National Association of  
3           State Boards of Accountancy Uniform Accountancy Act;  
4           or

5       (2) The individual obtains from the National Association  
6           of State Boards of Accountancy's National  
7           Qualification Appraisal Service verification that the  
8           individual's education, examination, and experience  
9           qualifications are comparable to or exceed the  
10           requirements of this chapter for obtaining a permit to  
11           practice.

12       (b) An individual practicing under this section, as a  
13           condition of the privilege of practicing in this state shall:

14       (1) Be subject to the personal and subject matter  
15           jurisdiction and disciplinary authority of the board  
16           and the courts of this State;

17       (2) Comply with this chapter, chapter 436B, and with all  
18           applicable rules established by the board;

19       (3) Be deemed to have irrevocably appointed the regulatory  
20           agency of the state that issued the person's license  
21           as the person's agent, upon whom process may be served



1 in any action or proceeding by the board against the  
2 person;

3 (4) Cease to practice in this state and notify the board  
4 within ten days of:

5 (A) The entry or issuance of any criminal conviction  
6 or disciplinary order, including suspension or  
7 revocation of the individual's license; or

8 (B) The date the individual's license in the state  
9 where the individual's principal place of  
10 business is located becomes inactive, lapses, or  
11 is forfeited;

12 and

13 (5) Cooperate with any investigation or inquiry of the  
14 board, timely respond to any board investigation,  
15 inquiry, request, notice, demand, or subpoena for  
16 information or documents, and timely provide to the  
17 board the identified information and documents.

18 (c) An individual practicing under this section shall  
19 practice through a firm that holds a license under this chapter  
20 if, for an entity with its principal office in this state, the  
21 individual performs:



- 1        (1) A financial statement audit or other engagement in  
2        accordance with the Statements on Auditing Standards;
- 3        (2) An examination of prospective financial information in  
4        accordance with the Statements on Standards of  
5        Attestation Engagements; or
- 6        (3) An engagement in accordance with auditing standards of  
7        the Public Company Accounting Oversight Board or its  
8        successor.
- 9        (d) Notice of an individual's intent to practice public  
10       accountancy under this section shall be given to the board  
11       pursuant to section 466-B(a) using such forms and procedures as  
12       the board may require; provided that such notice shall be a  
13       public record and shall include a statement by the person that  
14       the person understands and consents to the requirements of this  
15       section.
- 16       (e) The board may, by administrative rule, provide that  
17       individuals licensed in certain specified states do not qualify  
18       for practice privileges under this section because the licensing  
19       requirements in such specified states are substantially below  
20       the comparable requirements in this state. Individuals from  
21       such specified states may thereafter obtain practice privileges  
22       under this section only if the individual shows that the



1 individual has personally completed education and experience  
2 comparable to that required under this chapter for residents of  
3 this state.

4 (f) Upon a determination by the board that an individual  
5 has engaged in practice under this section for a length of time  
6 and to an extent that is effectively equivalent to establishing  
7 an office in this state, the board may notify the individual  
8 that the individual no longer qualifies for a privilege under  
9 this section.

10 (g) For purposes of this section, the "practice of public  
11 accountancy" includes the performance of professional services  
12 for persons or entities located in this state, regardless of  
13 whether the services are rendered through direct physical  
14 presence or through electronic communications.

15 (h) Failure to comply with this section shall subject the  
16 individual to disciplinary action by the board.

17 (i) The board may recover all reasonable costs incurred as  
18 part of its investigative, administrative, and disciplinary  
19 proceedings from any individual disciplined under this section."

20 SECTION 3. This Act does not affect rights and duties that  
21 matured, penalties that were incurred, and proceedings that were  
22 begun, before its effective date.





1 SECTION 4. In codifying the new sections added by section  
2 2 of this Act, the revisor of statutes shall substitute  
3 appropriate section numbers for the letters used in designating  
4 the new sections in this Act.

5 SECTION 5. New statutory material is underscored.

6 SECTION 6. This Act shall take effect upon its approval  
7 and shall be repealed on June 1, 2012.



**Report Title:**

Public Accountancy; Out-of-State Practice

**Description:**

Authorizes the limited out-of-state practice of public accountancy in this state provided that the practice is conducted through an individual with a permit or privilege to practice in this state. Establishes a limited privilege to practice in this state for out-of-state practitioners. (HB995 HD1)

