



## HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS

Organized August 7, 1943  
P.O. BOX 61043  
HONOLULU, HAWAII 96839



### Committee on Commerce and Consumer Protection Tuesday, February 28, 2023 at 9:45 a.m. Conference Room 229 State Capitol

#### Re: Strong Opposition to SB727 Relating to Occupational Licensure

##### Chair Keohokalole, Vice Chair Fukunaga, and Committee Members:

The Hawaii Association of Public Accountants (HAPA) is the only statewide public accounting organization with active chapters on Oahu, Maui, Big Island, and Kauai. It has over 450 members, consisting primarily of small to mid-sized CPA firm owners and employees who are in the active practice of public accountancy.

My name is Marilyn M. Niwao, M.S.P.H., J.D., CPA, and I am State President of the Hawaii Association of Public Accountants. I am a Hawaii licensed CPA and Attorney and State President of the Hawaii Association of Public Accountants. I am a principal of a well-established Maui CPA firm, Niwao & Roberts, CPAs, a P.C.

I am also Vice Chair of the Hawaii Council on Revenues, a former Commissioner of the Hawaii Tax Review Commission, and a Past President of the National Society of Accountants. However, I am testifying here solely in my capacity as State President of the Hawaii Association of Public Accountants, while drawing upon my knowledge obtained while serving in the above positions.

**HAPA strongly opposes SB727 and “no notice, no fees” CPA mobility legislation for numerous reasons that extend back over 20 years, fighting against the large international CPA firms and their representative organization - the HSCPA - in the Hawaii legislature. SB727 is about outsourcing Hawaii’s CPA services to out-of-state and foreign CPAs with lower standards and no licensing fees, while Hawaii-licensed CPAs are held to higher standards and requirements, such as being subjected to Hawaii’s mandatory peer review engagements for compilation and review reports, and high license fees.**

In order to be considered “CPA mobility” legislation according to those out-of-state and foreign CPA firms advocating for this type of legislation, there are two criteria that must be met: 1) “no notice”, where there is absolutely no registration or notice of practice given to the Board of Public Accountancy by an out-of-state or foreign CPA practicing in Hawaii, and 2) “no fees”, where absolutely no licensing fees are due for out-of-state or foreign CPAs who would enjoy the privilege of practicing public accountancy in Hawaii.

After personally reviewing many state accountancy laws in other states and listening to accounting and tax practitioners from other states, it is obvious to me that there is great variation among state accountancy statutes, and no one follows exactly the model

Uniform Accountancy Act (UAA) language being promoted here.

Hawaii is unique compared to other states due to its distant location in the middle of the Pacific and the fact that Hawaii is a very popular tourist destination. According to the Hawaii Tourism Authority, over 10.4 million visitors came to Hawaii in 2019. Included among these many visitors are out-of-state or foreign CPAs who would like to practice public accountancy in Hawaii so that they can write-off their vacation trips to Hawaii. If they can practice with lower standards than what must be met by local Hawaii CPA firms, with no licensing fees, and without being caught or regulated (i.e., it is cost-prohibitive to sanction a CPA living in a foreign country or the mainland, especially when they do not pay any Hawaii licensing fees), picking up a Hawaii client or two sounds great!

**But this ultimately results in the following for Hawaii if CPA “no notice, no fees” mobility is passed:**

1. **Loss of Hawaii jobs** as accounting and tax work is picked up by vacationing out-of-state or foreign accountants who do not understand or take the time to learn Hawaii laws. In recent years, Hawaii has had a decline in population, with Hawaii’s younger generation seeking higher-paying jobs on the mainland. As tax and accounting jobs are lost due to outsourcing, Hawaii’s younger generation will move to the mainland to enjoy greater career opportunities there. Hawaii’s economy will be affected with more outsourcing of services.
2. **Loss of tax and license fee revenue.** SB727 will result in a significant loss of state tax revenue when casual tourist CPAs decide they want to write-off their vacation trips to Hawaii and perform CPA services in Hawaii for Hawaii consumers. The Hawaii consumer expects that CPAs practicing in Hawaii will be competent, independent, objective, and knowledgeable about Hawaii tax and business laws.

Prior HAPA studies have demonstrated that approximately 70% of out-of-state CPAs who obtained temporary permits worked for firms that did not comply with Hawaii tax laws and pay Hawaii taxes.<sup>1</sup> To help remedy the situation, the Hawaii State Tax Director at the time requested that the Board of Public Accountancy add a requirement that Hawaii GET license numbers be required of all CPA firms practicing in Hawaii. This requirement was added as a minimalist way to inform out-of-state CPA practitioners that Hawaii had a Hawaii General Excise tax law where taxes are due on service income and other types of business income.<sup>2</sup> Unfortunately, SB727 eliminates many, if not most, firm permits and the Hawaii GET license numbers that are currently required for all out-of-state and foreign CPA firms.

An out-of-state or foreign CPA temporarily practicing in Hawaii would not be familiar with Hawaii’s GET tax, as evidenced by so many cases where HAPA practitioners have observed a failure by out-of-state CPA practitioners to advise owners of Hawaii rental properties on the need to pay Hawaii General Excise taxes, Transient Accommodation taxes, and Hawaii income taxes. This loss of state tax revenue places a heavier burden

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<sup>1</sup> See HAPA Studies #1 and #2 at HAPA website at <http://hawaiiasociationofpublicaccountants.com/>

<sup>2</sup> In comparison, virtually all other states have retail sales taxes on personal property and do not tax service or rental income.

on Hawaii residents to pay higher state taxes to meet Hawaii's needs, and Hawaii cannot afford to have uninformed tax practitioners who are here practicing and advising Hawaii consumers about Hawaii laws on a temporary basis.

Although this version of "no notice, no fees" CPA mobility adds a provision that out-of-state CPAs must provide the department of taxation sufficient information to determine the licensee's tax liabilities in this State, to the extent required by law, out-of-state CPAs have repeatedly been observed by HAPA practitioners to ignore Hawaii's GET and income tax laws. Except for Board of Public Accountancy current rules requiring an out-of-state CPA firm to provide a Hawaii GET number, no other provision in the Hawaii Revised Statutes obligates the out-of-state CPA licensee to inform the State that they are complying with Hawaii's tax laws.

According to the State of Hawaii Department of Commerce and Consumer Affairs (DCCA), there are a total of 742 out-of-state and foreign CPAs who have obtained Hawaii permanent licenses and permits as of September 2022. Hawaii would lose a significant amount of license and permit fee revenue if SB727 is passed. **Who would make up the costs of enforcement for out-of-state and foreign CPAs?**

3. **Loss of consumer protection.** Hawaii consumers will be hurt with practitioners who are unfamiliar with Hawaii laws, including tax laws. Hawaii already has sufficient expertise to serve Hawaii consumers, and there are over 27% of Hawaii-licensed CPAs who are based on the mainland or in foreign countries. Anyone wishing to practice public accounting in Hawaii can obtain a temporary Hawaii permit to practice or a Hawaii CPA license and permit, as evidenced by the number of Hawaii-licensed CPAs from out-of-state.

Without notice and fees, it will be difficult if not practically impossible to attempt to sanction out-of-state or foreign CPAs. Who will pick up the costs for enforcement for someone who lives in another state or a foreign country? What happens to those out-of-state Boards of Accountancy who have stated they have no funds to pursue enforcement action against their own licensees? The Hawaii Board of Public Accountancy cannot remove a license or permit from someone who doesn't have a Hawaii CPA license or permit.

SB727 will also reduce the Board's current control of 742 out-of-state and foreign-based CPAs who are currently licensed in Hawaii because most will no longer need Hawaii CPA licenses and permits.

The bill also allows out-of-state CPA firms to be owned by non-CPAs while Hawaii CPA firms must be owned 100% by CPAs – a practice that would be misleading, confusing, and dangerous to Hawaii's public.

SB727 also delegates legislative authority to two private organizations without legislative oversight and allows those with lower "substantially equivalent" CPA licensing standards to practice in Hawaii.

SB727 adds an "evergreen" model act (Uniform Accountancy Act) to be used as the statutory authority for automatic change to Hawaii's laws every time the AICPA (a private trade organization) and NASBA (another private organization) decide to change model act provisions. No state currently has adopted all of the provisions of the UAA as this is a

model act with suggested language in its eighth edition, and it would be dangerous to delegate Hawaii statutory authority to out-of-state private institutions, largely controlled by the large international CPA firms and accountants who do not practice public accounting. SB727 requires lower UAA “substantially equivalent” licensing standards for out-of-state CPAs (which require only one year of “any kind” of experience) while Hawaii CPAs achieve higher licensing standards of two years of public accounting experience or its equivalent.

Hawaii has traditionally kept higher CPA licensing standards than other states for the protection of Hawaii’s public. Some states have even allowed individuals to become CPAs even though they did not pass the Uniform CPA Examination, which is required for Hawaii CPA licensees.

**HAPA would also like to point out that Hawaii-licensed CPAs cannot practice freely with other states’ CPA mobility laws, and the term is misleading**

Due to the complexity of different CPA mobility laws in all the states, it is misleading to think that Hawaii CPAs can practice freely as CPAs in other states since they have adopted CPA mobility laws. For example, for CPAs practicing in taxes, although California has technically qualified as a “CPA Mobility” state, Hawaii CPAs cannot physically set foot in California and prepare tax returns or provide tax consulting advice while in California temporarily. Instead, they must register under California’s tax preparer registration law (CTEC), which does not exempt out-of-state CPAs and attorneys.

To first qualify as a California CTEC tax professional, Hawaii CPAs must 1) complete 60 hours of qualifying tax education from a CTEC approved provider, purchase a \$5,000 tax preparer bond, and pay a registration fee.<sup>3</sup> Otherwise, the Hawaii CPAs must obtain a California CPA license. In addition, California also requires out-of-state CPA firm registration.

The number of states adopting state tax preparer registration laws has been increasing as states seek to have more competent tax practitioners in their states. This has led to increased tax compliance in states such as Oregon, California, Maryland, and New York.

**Please protect Hawaii’s jobs, tax and fee revenues, and protect Hawaii’s consumers by voting NO to SB727 for the above and many more reasons. The members of the Hawaii Association of Public Accountants ask that they be allowed to practice in Hawaii on the same playing field as out-of-state CPAs.**

Please do not hesitate to contact us with any questions or concerns at (808) 242-4600, ext. 224; niwao@mauicpa.com. Thank you for considering the above.

Respectfully submitted,

*Marilyn M. Niwao*

**Marilyn M. Niwao, M.S.P.H., J.D., CPA, CGMA  
State President, Hawaii Association of Public Accountants**

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<sup>3</sup> See <https://www.ctec.org/tax-professionals/what-is-crtp>

**SB-727**

Submitted on: 2/27/2023 6:25:47 AM

Testimony for CPN on 2/28/2023 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Mark McComb	Testifying for KPMG LLP	Support	Remotely Via Zoom

Comments:

We are experiencing a talent shortage and are struggling unnecessarily to service our local clients due to redundant licensing regulations and untimely regulatory processes. Hawaii is the only state in the US that has such a cumbersome process for existing CPAs to obtain the privilege to practice public accountancy. Becoming more aligned with the other states will also facilitate Hawaii CPAs in servicing clients in other states. We support this legislation.

**SB-727**

Submitted on: 2/26/2023 8:31:18 AM

Testimony for CPN on 2/28/2023 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Darryl Nitta	Individual	Support	Remotely Via Zoom

Comments:

The small, local CPA firm that I oversee is struggling to keep up the demand for tax preparation. Many CPAs have retired since covid and there is a talent shortage statewide. By having a sensible licensure process, this will enable us to adequately service the people of Hawaii and our community by having enough staffing to timely meet compliance deadlines.

**SB-727**

Submitted on: 2/25/2023 11:32:39 AM

Testimony for CPN on 2/28/2023 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ron Heller	Individual	Support	In Person

Comments:

I ask you to vote in favor of Senate Bill 727. This bill would give Hawaii residents and local businesses more flexibility in choosing the CPA who best meets their needs. At the same time, it would give the Hawaii State Board of Accountancy clear jurisdiction over out-of-state CPAs practicing in Hawaii.

In our interconnected online economy, many CPAs are effectively practicing across state lines. It is not unusual for a CPA to have clients with property or business operations in more than one state, requiring two or more state tax returns. Many states used to require lengthy applications and fees, which were a barrier to serving clients. Placing extra burdens on CPAs means placing extra cost on their clients. In order for CPAs to offer fast and efficient service to clients nationwide, restrictive barriers to interstate practice for CPAs have already been eliminated in every other state, and should be eliminated in Hawaii.

At the same time, we need to ensure that the public is adequately protected. This bill also ensures that the Hawaii State Board of Public Accountancy would have the ability to discipline a CPA from another state, if necessary. Without this bill, our State Board of Accountancy has no effective power over CPAs from other states, even when they practice in Hawaii.

Similar legislation has already been passed in every other U.S. state, and experience across the country shows that it works – states that initially had sunset provisions in their law have been renewing this type of legislation. No state has allowed it to sunset. Significantly, all across the country, in red states and blue states, bigger states and smaller states, this approach is working.

I would be happy to respond to any questions you might have.

Respectfully submitted,

*Ron Heller*

**SB-727**

Submitted on: 2/27/2023 7:59:55 AM

Testimony for CPN on 2/28/2023 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Dorothy Wong	Individual	Support	Remotely Via Zoom

Comments:

Hello, Mr. Chairman and members of the committee.

I am writing you today in support of HB 797.

My name is Dorothy Wong and I have held a Florida CPA in for 5 years. I am the Manager of the Honolulu office of Ernst & Young LLP. However, I cannot practice as a CPA in Hawaii and I am not allow to transfer my Florida CPA License to Hawaii CPA License due to current restriction.

In EY, Many of our CPAs serve individual and business clients who have locations and operations in multiple states and compliance responsibilities that span multiple jurisdictions. These businesses need their Hawaii CPA to be able to practice in other states.

On the other side of the coin, consumers and businesses in Hawaii should be able to receive timely services from the CPA best suited to the job, regardless of location, and without the hindrances of unnecessary forms, fees, and filings.

At a time when the CPA profession, like many others is fighting the growing battle for talent we're seeing the pipeline of accounting students stagnate. The number of U.S. students who completed a bachelor's degree in accounting declined nearly 9% to about 52,500 in 2020, down from almost 57,500 in 2012, according to the Association of International Certified Professional Accountants. Recent articles in the Wall Street Journal indicate that further declines have occurred through 2022.

As the pipeline of CPAs is shrinking and the world is getting smaller due to technology and the advance of digital tools, companies are leaning on access to CPAs who specialize in their specific needs. Hawaii individuals and businesses should have the choice to engage CPAs which fit their need and by not allowing for CPA reciprocity in Hawaii contributes to the challenging business environment in Hawaii that we all hear about.



House Bill 797 would allow for Hawaii's citizens and businesses to have access to best-in-class services while the CPA profession continues to evolve to attract and retain more workers in their field. Hawaii needs to take advantage of this opportunity to protect and best serve its residents.

Thank you,

**Testimony of the Board of Public Accountancy**

**Before the  
Senate Committee on Commerce and Consumer Protection  
Tuesday, February 28, 2023  
9:45 a.m.  
Room 229 and Via Videoconference**

**On the following measure:  
S.B. 727, RELATING TO OCCUPATIONAL LICENSURE**

**WRITTEN TESTIMONY ONLY**

Chair Keohokalole and Members of the Committee:

My name is Lee Ann Teshima, and I am the Executive Officer of the Board of Public Accountancy (Board). I apologize for not attending this hearing as I have a scheduled board meeting, which conflicts with this hearing. The Board opposes this bill.

The purposes of this bill are to: (1) establish procedures and eligibility criteria for a privilege to practice public accountancy in this State for public accountants and certified public accountants licensed in another state with comparable education, examination, and experience requirements; and (2) subject all holders of a practice privilege to the regulatory and enforcement jurisdiction of the board of public accountancy.

The Board has consistently opposed similar legislation and opposes this measure for the following reasons:

This bill creates a new section in chapter 466, Hawaii Revised Statutes (HRS), which allows individuals whose principal place of business is not in this State but who hold a valid license in another state with substantial equivalent licensure requirements to have a privilege to practice in this State without a Hawaii CPA license or permit-to-practice. The individual who has been granted practice privileges under this section would be able to practice without an accountancy firm that has a permit issued under HRS section 466-7(d), as long as the individual does not perform a financial statement audit, an examination of prospective financial information, or an engagement performed in accordance with the Public Company Accounting Oversight Board's auditing

standards. This unlicensed privilege to practice removes protections from Hawaii consumers.

The Board is also concerned with the absence of requirements to notify consumers that the work requiring a Hawaii license is being performed by an individual exercising a “practice privilege” in the State without first being licensed by the Board. The Board’s primary charge is to protect the consumers and public with respect to the practice of public accounting in Hawaii by certified public accountants. The Board believes that the merits of this bill should be judged by its effects on consumer protection versus convenience to practice.

Thank you for the opportunity to testify on this bill.

TO: Chair Jarrett Keohokalole; Vice Chair Carol Fukunaga; and Committee

FROM: Adrian Hong, President of Island Plastic Bags, Inc.

RE: SB 727 RELATING TO OCCUPATIONAL LICENSURE

POSITION: Strong Support

Thank you for the opportunity to submit testimony in strong support of SB 727. My name is Adrian Hong and I am president of Island Plastic Bags Inc., a second-generation, family business in Halawa Valley. This bill will allow small businesses like mine to get the professional accounting services we need. We would also be able to obtain access to specialists that are difficult to find in Hawaii for our specialized manufacturing business.

The changes in regulations throughout the pandemic have created unprecedented demand for CPA's. Tax laws have changed, new government programs have been implemented (ex. Payroll Protection Program and Small Business Relief & Recovery Fund), and whole business models have changed. Small business owners in particular need help navigating what these changes mean to their businesses. Unfortunately, there are not enough CPA's in Hawaii to handle all of this work. SB 727 would give small businesses access to out of state CPA's to help fill the gap.

SB 727 would also allow small businesses like mine to bring in accounting specialists in certain industries and areas of focus that are not typically found in Hawaii. For example, Island Plastic Bags is a plastic bag manufacturer. Hawaii does not have a large manufacturing base so it would be difficult for me to find an auditor in Hawaii with the necessary expertise to audit my company.

Should you have any questions or comments about my testimony you can contact me by email at [ahong@islandplasticbags.com](mailto:ahong@islandplasticbags.com) or by phone at 808-484-4046.

Sincerely,

Adrian K. Hong, CPA

President

Island Plastic Bags, Inc.

[www.islandplasticbags.com](http://www.islandplasticbags.com)

Email: [ahong@islandplasticbags.com](mailto:ahong@islandplasticbags.com) | Phone: 808-484-4046 | Fax: 808-488-8505

**SB-727**

Submitted on: 2/25/2023 1:55:58 PM

Testimony for CPN on 2/28/2023 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Carleton L. Williams	Testifying for CW Associates, CPAs	Support	Written Testimony Only

Comments:

I am strongly in support of SB 727 Relating to Accounting Licensure and urge you to approve the legislation such that Hawaii can catch up to the rest of America.

Carleton L. Williams, Founding Partner, CW Associates, CPAs

February 27, 2023

Hello, Mr. Chairman and members of the committee.

I am writing you today in support of HB 797.

My name is Joan Anderson and I have been a practicing CPA in Hawaii for 5 years. I am the Managing Director in the tax department of the Honolulu office of Ernst & Young LLP. As a firm, we employ roughly 50 individuals in Hawaii, including 35 licensed CPAs.

Many of our CPAs serve individual and business clients who have locations and operations in multiple states and compliance responsibilities that span multiple jurisdictions. These businesses need their Hawaii CPA to be able to practice in other states.

On the other side of the coin, consumers and businesses in Hawaii should be able to receive timely services from the CPA best suited to the job, regardless of location, and without the hindrances of unnecessary forms, fees, and filings.

At a time when the CPA profession, like many others is fighting the growing battle for talent we're seeing the pipeline of accounting students stagnate. The number of U.S. students who completed a bachelor's degree in accounting declined nearly 9% to about 52,500 in 2020, down from almost 57,500 in 2012, according to the Association of International Certified Professional Accountants. Recent articles in the Wall Street Journal indicate that further declines have occurred through 2022.

As the pipeline of CPAs is shrinking and the world is getting smaller due to technology and the advance of digital tools, companies are leaning on access to CPAs who specialize in their specific needs. Hawaii individuals and businesses should have the choice to engage CPAs which fit their need and by not allowing for CPA reciprocity in Hawaii contributes to the challenging business environment in Hawaii that we all hear about.

House Bill 797 would allow for Hawaii's citizens and businesses to have access to best-in-class services while the CPA profession continues to evolve to attract and retain more workers in their field. Hawaii needs to take advantage of this opportunity to protect and best serve its residents.

Thank you,

A handwritten signature in cursive script that reads "Joan K. Anderson".

Joan Anderson, CPA

**SB-727**

Submitted on: 2/27/2023 8:12:48 AM

Testimony for CPN on 2/28/2023 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Gordon Tom	Individual	Support	Written Testimony Only

Comments:

With a diverse Hawaiian economy, and in today's increasingly "virtual" business environment, businesses increasingly need specialized expertise. Like many small states, the specialized expertise is not always readily available within Hawaii. The proposed legislation enables Hawaii consumers and businesses to access needed accounting expertise by allowing CPAs licensed in other states to practice temporarily in Hawaii, without applying 60 days in advance for temporary licensure. It also empowers the Hawaii Board of Public Accountancy to pursue and discipline out of state CPAs who use this temporary practice privilege and harm Hawaii consumers.

Many states used to require lengthy applications and fees which became an unnecessary barrier to serving consumers and businesses within their state. Every other state and jurisdiction in the country has eliminated these barriers. **Hawaii is the only one in the country** with such draconian measures in place to create artificial barriers to doing business.



**HSCPA**

**LATE**

**HAWAII SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

Senate Committee on Commerce and Consumer Protection  
Tuesday, February 28, 2023  
Conference Room 229 – 9:45 a.m.

## **IN STRONG SUPPORT OF SB 727**

Dear Chair Keohokalole, Vice Chair Fukunaga, and Committee Members:

I am Ryan Suekawa, president of the board of directors of the Hawaii Society of CPAs (HSCPA), the only professional CPA association in Hawaii serving members in business & industry, public practice, government and academia. For over a decade, the HSCPA, its Board of Directors and the vast majority of its CPA members have supported this measure.

The CPA profession's shortage of talent has been exacerbated by the pandemic and Hawaii's high cost of living. Many of Hawaii's businesses require – or could benefit from – specialized expertise from CPA service providers that may not be readily available under the existing regulatory framework. Adopting this measure assists in creating economic and job opportunities in Hawaii, and gives Hawaii businesses more choices to assist with their financial service needs. Most importantly, the Hawaii Board of Public Accountancy would gain automatic jurisdiction over ALL CPAs practicing in Hawaii, and will enable the Board to discipline out-of-state CPAs.

SB 727 would encourage and promote innovation and will expand access to high-quality financial services to consumers and businesses in Hawaii. Of the 55 CPA jurisdictions in the U.S., Hawaii is the only state and jurisdiction without this practice privilege.

Please support SB 727.

Respectfully submitted,

Ryan Suekawa, President  
HSCPA Board of Directors



**LATE**

Hello, Mr. Chairman and members of the committee.

I am writing you today in support of SB727 and HB797.

My name is Joyce Pang and I have been a practicing CPA in Hawaii for 2 years. I am currently a tax staff at the Honolulu office of Ernst & Young LLP.

Many of our CPAs serve individual and business clients who have locations and operations in multiple states and compliance responsibilities that span multiple jurisdictions. These businesses need their Hawaii CPA to be able to practice in other states.

On the other side of the coin, consumers and businesses in Hawaii should be able to receive timely services from the CPA best suited to the job, regardless of location, and without the hindrances of unnecessary forms, fees, and filings.

At a time when the CPA profession, like many others is fighting the growing battle for talent we're seeing the pipeline of accounting students stagnate. The number of U.S. students who completed a bachelor's degree in accounting declined nearly 9% to about 52,500 in 2020, down from almost 57,500 in 2012, according to the Association of International Certified Professional Accountants. Recent articles in the Wall Street Journal indicate that further declines have occurred through 2022.

As the pipeline of CPAs is shrinking and the world is getting smaller due to technology and the advance of digital tools, companies are leaning on access to CPAs who specialize in their specific needs. Hawaii individuals and businesses should have the choice to engage CPAs which fit their need and by not allowing for CPA reciprocity in Hawaii contributes to the challenging business environment in Hawaii that we all hear about.

House Bill 797 would allow for Hawaii's citizens and businesses to have access to best-in-class services while the CPA profession continues to evolve to attract and retain more workers in their field. Hawaii needs to take advantage of this opportunity to protect and best serve its residents.

Thank you,

Joyce Pang, CPA

**Committee on Commerce and Consumer Protection  
Tuesday, February 28, 2023 at 9:45 a.m.  
Conference Room 229  
State Capitol**

**Re: Strong Opposition to SB 727 Relating to Occupational Licensure**

Chair Keohokalole, Vice Chair Fukunaga, and Committee Members:

I am a certified public accountant and a principal with the firm of Niwao & Roberts, CPAs, a P. C. on Maui. I am also a member of the State of Hawaii Board of Public Accountancy (Board). My testimony in strong opposition to SB 727 is submitted solely in my capacities as a CPA and as a principal of a Hawaii-based CPA firm and not as a representative of the Board.

***NOT ONE MORE HAWAII JOB LOST TO OUTSOURCING.  
NOT ONE MORE TAX DOLLAR UNPAID BY OUT-OF-STATE CPAS.  
NOT ONE MORE LICENSING FEE DOLLAR LOST.***

**HAWAII CAN ILL AFFORD TO LOSE ONE MORE JOB TO OUTSOURCING.**

By exempting mainland and foreign CPAs from the Hawaii licensing fee and notice requirements facing Hawaii-based CPAs and their firms, mainland and foreign CPAs will be able to avoid the higher cost of Hawaii's office rents and mandated employee benefits. Occupancy costs and payroll/benefits are the two largest costs for a Hawaii-based CPA firm. SB 727 will create an uneven playing field rewarding mainland and foreign-based firms for basing their employees outside of Hawaii.

**CAPITAL AND LABOR ARE FLUID.**

In order to mitigate the competitive price advantage SB 727 will give to mainland and foreign CPAs and their firms, Hawaii-based firms will be forced to shift their own operations and staffing to outside of Hawaii in order to compete in the Hawaii market. For example, my firm does not outsource its work to the mainland or to foreign countries as a matter of policy even though we presently have the technology in place to do so at substantial cost savings. If SB 727 passes, we will be forced to pursue contingency plans for this scenario, starting with opening an office outside of Hawaii and replacing future local hires with significantly less expensive employees based elsewhere.

The ripple effect of Hawaii-based firms shifting work to the mainland and foreign countries will be significant. Office occupancy rates will fall further than they already have just as the

economy struggles to emerge from the Covid environment. Hawaii contractors will have less work making periodic leasehold improvements. Less payroll taxes and General Excise Tax (GET) will be due to Hawaii's Department of Taxation. Future graduates from Hawaii's colleges and universities will have to leave Hawaii and seek employment elsewhere. In fact, it might become difficult to justify maintaining Schools of Accountancy at local colleges and universities after SB 727 pulls the plug on local demand for their graduates.

### **HAWAII CAN ILL AFFORD TO LOSE ONE MORE TAX DOLLAR.**

The Hawaii Association of Public Accountants (HAPA) conducted two landmark studies revealing widespread tax non-compliance by out-of-state based CPA firms working in Hawaii.<sup>1</sup> These studies revealed that approximately 70% of outside CPA firms whose owners and/or employees obtained a temporary permit to practice in Hawaii did not obtain GET license numbers. (These firms only obtained GET license numbers sometime later after they were warned of their noncompliance.) Therefore, those out-of-state CPA firms were not paying their fair share of Hawaii taxes. As documented in HAPA's follow-up study, tax compliance rates for out-of-state CPA firms licensed in Hawaii skyrocketed once the Hawaii Board of Public Accountancy implemented procedures forcing these out-of-state firms to obtain and provide their GET numbers as part of the application process.

### **NOTICE = TAX COMPLIANCE.**

No similar studies have been conducted in any other state to my knowledge. The combination of the State of Hawaii's public database for GET licenses combined with its Office of Information Practices law made it possible for HAPA to obtain and compare information from different Hawaii databases to perform the two studies. These unique circumstances may not exist in other states, so it is impossible to evaluate changes in tax compliance in other states resulting from their "No Notice, No Fees" legislation. Nonetheless, the old saying, "When the cat's away, the mice will play," remains valid. Remove the current notice requirements for out-of-state CPAs practicing in Hawaii, and tax revenues will once again disappear.

### **HOW MANY MAINLAND AND FOREIGN CPAS ARE ENOUGH?**

According to the State of Hawaii *Geographic Report* (Current Licenses) as of September 24, 2022, prepared by the Department of Commerce and Consumer Affairs (DCCA) Professional and Vocational Licensing Division, there are 730 mainland-based and 12 foreign-based CPAs licensed in Hawaii.<sup>2</sup> That means that 27.7% of all regular Hawaii CPA license holders are based outside of Hawaii. Similarly, the *Geographic Report* shows 134 mainland and foreign-based CPA firms held Hawaii firm permits to practice. That is over 18% of all CPA firms licensed to practice in Hawaii. The above does not include the number of individual out-of-state CPAs receiving temporary permits to practice in Hawaii.

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<sup>1</sup> The HAPA Studies are available at <https://hawaiiassociationofpublicaccountants.com/Advocacy>.

<sup>2</sup> DCCA PVL *Geographic Report* as of September 24, 2022 is available at <https://cca.hawaii.gov/pvl/files/2022/10/WebGeo-RptHoala-092422.pdf>


Together, the licensing fees paid by mainland and foreign-based CPA license holders represent substantial revenue to fund the consumer protection services of the DCCA.

The preamble to SB 727 implies that Hawaii's consumers suffer from a lack of access to the superior technical competencies held by mainland and foreign-based CPAs and their firms. This unsupported assertion is outrageously offensive, implying Hawaii-based CPAs are less educated, experienced, intelligent, and competent than their mainland or foreign-based competitors. When the latest *Geographic Report* data are viewed in aggregate, it is clear from the numbers and percentages that Hawaii consumers already have ample access to mainland and foreign CPAs.

There are numerous other serious problems with SB 727 undermining consumer protection in Hawaii and providing preferential treatment to out-of-state CPAs and their firms - too many to present in any readily readable written testimony. Should any members of this Committee wish to discuss them, I am available to respond to your questions at your convenience.

In closing, I urge this Committee to vote no to SB 727 for the above reasons.

Respectfully submitted,



John W. Roberts, MBA, CPA, CGMA

**LATE**

**Senate Committee on Commerce and Consumer Protection**

**Tuesday, February 28, 2023**

**Conference Room 229 – at 9:45am**

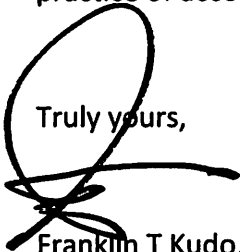
**IN SUPPORT OF SB 727**

Honorable Chair Keohokalole, Vice Chair Fukunaga, and Committee Members

My name is Franklin T Kudo a Board Member of the Hawaii Society of CPA's and a Professor of Accounting at the University of Hawaii – West O`ahu. I fully support SB 727 which will allow qualified out of State CPA's to practice in Hawaii. We must open the State to accepting out of State CPA's to practice in Hawaii due to our severe labor shortage and numerous financial specializations which has caused problems providing full service to the people and businesses of Hawaii.

Of the 55 CPA jurisdictions across the United States that have accepted this practice none have reported a material adverse effect on the practices of local CPA's. In fact, it has broadened the practice of accountancy and ensured a broader coverage of financial services to the State.

Truly yours,

A handwritten signature in black ink, appearing to read 'Franklin T Kudo', with a large, stylized loop at the top and a horizontal line extending to the right.

Franklin T Kudo, DBA

Professor of Accounting  
University of Hawaii-West O`ahu  
Business Division  
Kapolei, HI

**LATE**

Senate Committee on Commerce and Consumer Protection

February 28, 2022 at 9:45 a.m.  
Conference Room 229

## In Support of Senate Bill 727

Dear Chair Keohokalole, Vice Chair Fukunaga, and Committee Members:

My name is Trisha Nomura, CPA\*, and I support SB 727. Passing the uniform CPA exam over 19 years ago and subsequently earning my CPA license remains one of my proudest achievements thus far. While I was a college student at Creighton University, I was fortunate to be given the advice that if I ever wanted to return home one day to raise a family and have a successful business career, that majoring in accounting and becoming a CPA would give me the best opportunity to do so. I studied hard to pass the CPA exam and have never regretted my decision. Becoming a CPA has afforded me the opportunity to buy a home and remain in Hawaii to raise my children – a dream that many others are not able to do.

Although I have worked hard to earn my CPA license, I completely support allowing CPAs from outside of Hawaii, who have also passed the uniform CPA examination and have earned a CPA license in their respective states, to have the opportunity to work here. My career has led me over the years to work for a national firm, to own a small business and to be a part of one of Hawaii's largest employers. I can tell you that in each instance, when a well-qualified Hawaii CPA was available that was always our first choice. We never hired, or even considered, an out-of-state CPA unless there was specialized expertise that was not available locally.

The pandemic has significantly impacted the talent in our profession and businesses in Hawaii either require - or could benefit greatly from - specialized expertise from CPA service providers that may not be readily available under the existing regulatory framework. SB 727 would allow for this access while also opening up job opportunities and encouraging and promoting innovation within our State. **Hawaii is the only U.S. jurisdiction that does not have this practice privilege.** Adopting this measure would allow the Hawaii Board of Public Accountancy to gain automatic jurisdiction over ALL CPAs practicing in Hawaii, and will enable the Board to discipline out-of-state CPAs.

Thank you in advance for your consideration of SB 727. I humbly ask for your support.

Sincerely,



Trisha Nomura, CPA\*

\*Not in public practice

**LATE**

**SB-727**

Submitted on: 2/27/2023 10:26:52 AM

Testimony for CPN on 2/28/2023 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
James Shimoda	Individual	Support	Written Testimony Only

Comments:

I am writing in support of Bill SB 727. I want to point out that our state is the only state that does not have a mobility law for accountancy. 49 out of 50 states recognize mobility where a CPA license issued in one state is allowed to be recognized in another state. In addition, our board of accountancy is stuck in a paradoxical situation where they should have the right to monitor and enforce actions against out-of-state accountants that are practicing in Hawaii without a permit to practice, but the board does not have the ability to do so unless the firm applies for a permanent permit to practice or a temporary permit to practice. This puts an additional burden on the consumer to find out which state licensed their certified public accountant (CPA) and file a report with that state's board of accountancy hoping that they can take the appropriate action.

The current rules in place to qualify for a Hawaii CPA have become more rigid where the rules are essentially asking for applicants to work for a Hawaii CPA firm due to needing a supervisor who has a current Hawaii CPA license and the special privilege permit to practice to sign off on the experience. As a result, I am having to consider leaving a workplace I have spent some time in because there is no one in my department who has a CPA license with the special privilege permit to practice. I am also having to look at taking a pay cut as well since I would be starting at the bottom at a CPA firm to meet Hawaii's requirements as well as the difficulty of getting into a CPA firm. An applicant has raised this issue with the board of accountancy at their September 2022 meeting and the Board stood by current rules without any indication there would be adjustments. Given the high cost of living in Hawaii, my wife and I have also discussed being part of the declining population and moving out of Hawaii because we are having the hardest time trying to make ends meet especially with a new child on the way.

Currently, with an aging population, the number of CPA's available have dropped and it does not seem very unlikely that we will have more candidates coming in unless mobility is enacted. Our current board of accountancy is having its own issues where there is a shortage of executive officers to conduct the monthly meetings and thus they are canceling meetings. As a result, I am uncertain how CPA applications are processed given that the monthly meetings are the typical method for reviewing and granting licenses to individuals and firms.

I also want to highlight that the advent of remote work may make our current accountancy rules a problem especially since remote audits have been conducted. With the convenience to conduct online tax preparation fees as well as a chunk of audit services, I have concerns Hawaii may not be prepared to help protect consumers with the current laws in effect. Businesses may look for

alternative options especially if their industry is specialized and Hawaii does not CPA experienced in conducting audits or tax returns for certain industries.

Please consider passing Bill SB727



**LATE**

Hello, Mr. Chairman and members of the committee.

I am writing you today in support of HB 797 / SB 727.

My name is Nathan Lee and I have been a practicing CPA in Hawaii for almost 15 years. I am a managing director in the Honolulu office of Ernst & Young LLP. As a firm, we employ roughly 50 individuals in Hawaii, including 35 licensed CPAs.

Many of our CPAs serve individual and business clients who have locations and operations in multiple states and compliance responsibilities that span multiple jurisdictions. These businesses need their Hawaii CPA to be able to practice in other states.

On the other side of the coin, consumers and businesses in Hawaii should be able to receive timely services from the CPA best suited to the job, regardless of location, and without the hindrances of unnecessary forms, fees, and filings.

At a time when the CPA profession, like many others is fighting the growing battle for talent we're seeing the pipeline of accounting students stagnate. The number of U.S. students who completed a bachelor's degree in accounting declined nearly 9% to about 52,500 in 2020, down from almost 57,500 in 2012, according to the Association of International Certified Professional Accountants. Recent articles in the Wall Street Journal indicate that further declines have occurred through 2022.

As the pipeline of CPAs is shrinking and the world is getting smaller due to technology and the advance of digital tools, companies are leaning on access to CPAs who specialize in their specific needs. Hawaii individuals and businesses should have the choice to engage CPAs which fit their need and by not allowing for CPA reciprocity in Hawaii contributes to the challenging business environment in Hawaii that we all hear about.

House Bill 797 / Senate Bill 727 would allow for Hawaii's citizens and businesses to have access to best-in-class services while the CPA profession continues to evolve to attract and retain more workers in their field. Hawaii needs to take advantage of this opportunity to protect and best serve its residents.

Thank you,

/s/ Nathan Lee

Nathan Lee, CPA

**LATE**

**SB-727**

Submitted on: 2/27/2023 10:50:48 AM

Testimony for CPN on 2/28/2023 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Wendell K. Lee	Individual	Support	Written Testimony Only

Comments:

I am in support of this bill. Currently, many CPAs practice remotely as there is an acute shortage of CPAs in our state. These out-of-state CPA's practice in our state, but our state has no jurisdiction over bad players in the industry.

This bill will allow state authorities such as the Hawaii State Board of Accountancy to have jurisdiction over these bad practitioners to at least ban them from practicing in the State of Hawaii or report them to their out-of-state board.

It is as if they can drive in our state, but our police have no jurisdiction over them if they break the law. When there is no jurisdiction over these "bad practitioners" they take on riskier tax positions in our state that leads to fraud and reduced tax collections.

Sincerely,

Wendell K. Lee

Hawaii CPA since 1992.

**LATE**

**SB-727**

Submitted on: 2/27/2023 2:07:29 PM

Testimony for CPN on 2/28/2023 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Chad Funasaki	Individual	Support	Written Testimony Only

Comments:

Chair Jarrett Keohokalole and Committee Members:

One of the biggest challenges currently facing the CPA profession involve a shortage of CPAs. SB 727 would allow Hawaii businesses to have access to more CPA professional services and would also enable Hawaii businesses to have access to services that require unique specialization which would be best served by out-of-state CPAs.

The opposition has always stated that allowing out-of-state CPAs the ability to practice in Hawaii would be bad as it would take away work from the local practitioners. This is simply not true. Out-of-state CPAs are still doing work here locally. Hawaii regulators currently have no jurisdiction over these CPAs in the event they violate Hawaii State law. SB 727 would grant the Hawaii State Board of Accountancy jurisdiction over every CPA performing work here in Hawaii.

Please support and protect our local businesses and profession by passing SB 727.

Sincerely,

Chad K. Funasaki

Hello, Mr. Chairman and members of the committee.

I am writing you today in support of HB 797.

My name is Megan Hackett and I have been a practicing CPA in Hawaii for 10 years. I work at the Honolulu office of Ernst & Young LLP. As a firm, we employ roughly 50 individuals in Hawaii, including 35 licensed CPAs.

Many of our CPAs serve individual and business clients who have locations and operations in multiple states and compliance responsibilities that span multiple jurisdictions. These businesses need their Hawaii CPA to be able to practice in other states.

On the other side of the coin, consumers and businesses in Hawaii should be able to receive timely services from the CPA best suited to the job, regardless of location, and without the hindrances of unnecessary forms, fees, and filings.

At a time when the CPA profession, like many others is fighting the growing battle for talent we're seeing the pipeline of accounting students stagnate. The number of U.S. students who completed a bachelor's degree in accounting declined nearly 9% to about 52,500 in 2020, down from almost 57,500 in 2012, according to the Association of International Certified Professional Accountants. Recent articles in the Wall Street Journal indicate that further declines have occurred through 2022.

As the pipeline of CPAs is shrinking and the world is getting smaller due to technology and the advance of digital tools, companies are leaning on access to CPAs who specialize in their specific needs. Hawaii individuals and businesses should have the choice to engage CPAs which fit their need and by not allowing for CPA reciprocity in Hawaii contributes to the challenging business environment in Hawaii that we all hear about.

House Bill 797 would allow for Hawaii's citizens and businesses to have access to best-in-class services while the CPA profession continues to evolve to attract and retain more workers in their field. Hawaii needs to take advantage of this opportunity to protect and best serve its residents.

Thank you,

A handwritten signature in black ink that reads "Megan B Hackett". The signature is written in a cursive, flowing style.

Megan Hackett, CPA