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## FISCAL IMPACT REPORT

SPONSOR Harper ORIGINAL DATE 02/03/17  
LAST UPDATED \_\_\_\_\_ HB 197  
SHORT TITLE Public Accountancy Residency SB \_\_\_\_\_  
ANALYST Amacher

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	NFI	NFI	NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Office of the State Auditor (OSA)

Regulation and Licensing Department (RLD)

### SUMMARY

#### Synopsis of Bill

House Bill 197 relates to the 1999 Public Accountancy Act; amends the definition of “attest”; and allows a non-resident accountant to meet continuing education requirements in New Mexico if the non-resident meets the requirements in the state of their primary place of residency. HB 197 expands the services a non-resident firm may offer without a permit. HB 197 repeals Section 61-28B-7 NMSA 1978 (being laws from 1999).

If enacted, House Bill 197 will become effective June 16, 2017.

### FISCAL IMPLICATIONS

There are no known fiscal impacts.

### SIGNIFICANT ISSUES

House Bill 197 relates to the 1999 Public Accountancy Act; amends the definition of “attest”; and allows a non-resident accountant to meet continuing education requirements in New Mexico if the non-resident meets the requirements in the state of their primary place of residency. HB

197 expands the services a non-resident firm may offer without a permit. HB 197 repeals Section 61-28B-7 NMSA 1978 (being laws from 1999).

Section 1 clarifies the definition of “attest” services by making clear this type of service includes an audit; review of financial statements; an engagement performed in accordance with auditing standards of the public company accounting oversight board; and, an engagement performed in accordance with the statements on standards for attestation engagements adopted by the board.

“Compilation” is a new term proposed in HB 197. “Compilation” means a service provided to management, applying accounting and financial reporting expertise, in the presentation of financial statement and reports without undertaking to obtain or provide assurance that there are no material modifications that should be made to the financial statements or reports to be in accordance with the applicable financial reporting framework.

HB 197 amends “licensee” by requiring the licensee is authorized to do business in New Mexico pursuant to the provisions of the 1999 Public Accountancy Act or prior law.

Amendments proposed to “report” align with the amendments for “attest”, “compilation” and ensure compliance with the national accounting standards.

Sections 2 and 3 outline the new certification and competency requirements for non-resident accountant or an accountant firm.

Section 4 provides an exception to a certificate holder from a state whose accountancy statute is substantially equivalent. A person who qualifies for the practice privileges pursuant to this section of law and performs an attest service shall have satisfied the requirements for certification.

HB 197 proposes to repeal the Qualifications for a Certificate as a Certified Public Accountant (Chapter 61-28B-7 NMSA 1978). This section of law has a repeal date effective July 1, 2018 and is duplicative of existing law (Chapter 61-28B-8 NMSA 1978). This amendment will delete a section that is no longer applicable.

## **ADMINISTRATIVE IMPLICATIONS**

The Office of the State Auditor (OSA) requires firms to have firm permits issued by the New Mexico Public Accountancy Board in order to be eligible to perform audits and agreed-upon procedures engagements for New Mexico governmental agencies. Under the proposed legislation, nonresident firms could be eligible under the 1999 Public Accountancy Board. This could require administrative changes to the Office of the State Auditor’s firm profile application process and may make determining firm eligibility more complicated.

## **DUPLICATION, RELATIONSHIP**

HB 295 delays the repeal of the Public Accountancy Act to July 1, 2023.

HB 197 duplicates SB 257 in its entirety.

**OTHER SUBSTANTIVE ISSUES**

The proposed amendments ensure a prospective client that the services provided, the degree of professional licensure, oversight, and the educational requirements are comprehensive and consistent with national standards.

RLD notes the changes proposed bring New Mexico in line with national standards under the federal “Uniform Accountancy Act”. It will allow the board jurisdiction over out-of-state firms who do accounting work in the state. These changes ensure reciprocity with other states.

The OSA notes the proposed legislation could increase competition for public accounting services in the state, which could result in lower prices and lower profit margins for in-state businesses. The OSA comments that amended definitions proposed are generally compatible with, but not identical to, to those used by the American Institute of Certified Public Accountants.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

New Mexico will not be in compliance with the federal Uniform Accountancy Act.

JMA/al/sb