

LFC Requester:**Noah Montano****AGENCY BILL ANALYSIS - 2025 REGULAR SESSION****WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov****(Analysis must be uploaded as a PDF)****SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}***Date Prepared:** 3-5-2025*Check all that apply:***Bill Number:** HJC Sub. HB 296Original Correction Amendment Substitute **Sponsor:** Rep. Cristina Parajon**Agency Name
and Code**

Regulation and Licensing

Department - 420

Number:**Short** Public Accountant Licensure**Person Writing** Jen Rodriguez**Title:** Requirements**Phone:** (505)795-3250 **Email** Jen.rodriguez@rld.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
N/A	N/A	N/A	N/A

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
N/A	(103)*	(103)*	Recurring	Public Accountancy Fund

(Parenthesis () indicate revenue decreases)

*See Note 1 in Fiscal Implications; this legislation will result in significant lost revenue to the Public Accountancy Fund in FY26 and future years if enacted.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	N/A	50.0**	0.0	50.0	Nonrecurring	Public Accountancy Fund

(Parenthesis () Indicate Expenditure Decreases)

**See Note 2 in Fiscal Implications; this legislation will result in significant costs to the Regulation and Licensing Department in FY26 if enacted.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Judicial Committee Substitute for House Bill 296 (HJC-SUB-HB296)

NOTE: All changes from the original House Bill 296 are indicated in bold and underlined text below:

HJC-SUB-HB296 updates the provisions of the 1999 Public Accountancy Act §§ 61-28B-1 to 29, NMSA 1978 (Act) to match the recent changes made to the Uniform Accountancy Act (UAA). Specifically, HJC-SUB-HB296 changes the requirements for initial certification as a certified public accountant (CPA) to expand the types and amount of education and experience required for certification. HJC-SUB-HB296 also provides exceptions to certification requirements for CPA's currently certified in another state or foreign jurisdiction consistent with the UAA.

Initial Certification Requirement Changes:

Under the Act, certification requires 3 components: (1) education; (2) experience; and (3) examination. HJC-SUB-HB296 expands the options for meeting the requirements for 1 and 2 and provides additional time to meet requirement 3.

1. Education Requirement: Under the current Act, all candidates for certification must have a baccalaureate degree with at least one hundred fifty (150) semester hours of education and thirty (30) of those hours must be in accounting or an equivalent concentration. HJC-SUB-HB296 expands the education requirement options, adding baccalaureate degrees with a concentration in either accounting or business, and master's degrees with a concentration in accounting or business.

2. Experience Requirement: HJC-SUB-HB296 defines "accounting experience" as providing service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills as verified by a CPA who meets NM Public Accountancy Board (Board) requirements, provided that the experience is gained through employment in government, industry, academia or public practice. Currently, all certificate candidates must show that they have one (1) year of accounting experience. HJC-SUB-HB296 would change the experience requirement to two (2) years for those with a baccalaureate degree with a concentration in accounting or business (without the additional 30 hours.) The other two (2) education requirement pathways would still require just one (1) year of accounting experience.

3. Examination Requirement: HJC-SUB-HB296 also expands the amount of time a CPA candidate has to pass the four (4) sections of their national examination from an eighteen (18) month period to a thirty (30) month period which begins on the date that the first passing score is released to the applicant.

Certification Requirement Changes for CPA's and firms from other jurisdictions:

HJC-SUB-HB296 renames the term "substantial equivalency" to "comparable licensure requirements," to match the UAA. HJC-SUB-HB296 authorizes an individual to practice as a CPA

in New Mexico without notice to the Board or certification through the Board if that person holds a valid license as a certified public accountant in good standing in another state and was required to meet the education **and accounting experience requirements** as a condition of licensure. A person can also practice in New Mexico without a CPA license if they hold a valid license or permit in good standing from any U.S. jurisdiction, was required to show evidence of passing the exam at the time they were licensed **and meets the education and accounting experience requirements required by New Mexico for licensure here.** The Board may not collect fees from an individual practicing as a CPA under these terms.

HJC-SUB-HB296 further amends the current reciprocity requirements to allow the Board to grant a certificate to an individual holding a valid certificate in a foreign jurisdiction with comparable licensure requirements in education, experience, and examination.

HJC-SUB-HB296 allows a firm that does not have an office in New Mexico to offer to or render services without a permit if the services are rendered through a person who holds a valid license or permit in good standing as a CPA or equivalent issued by another US jurisdiction and consents to the disciplinary power of the Board, and exempts that firm from discipline for practicing without a license. The Board may not collect fees from a firm operating under these terms.

The effective date of the legislation is January 1, 2026.

FISCAL IMPLICATIONS

***Note 1:** HJC-SUB-HB296 will cause a loss of revenue for the Board as CPA's in other states will be permitted to work in New Mexico without being certified here or paying a fee. It will also allow out-of-state permit holders to allow their permits to lapse. Currently, there are seven hundred fifty-three (753) CPA licensees with out-of-state addresses (31% of current license holders) and seventy-one (71) permits (14% of current permit holders). CPA licenses are renewed at one hundred seventy-five dollars (\$175) annually and permits at one hundred dollars (\$100) annually. Assuming those out-of-state holders allow their certificates/permits to lapse, it would be an annual revenue loss of one hundred three thousand two hundred fifteen dollars (\$103,215.00) beginning in FY26 and going forward.

**** Note 2:** A direct fiscal impact anticipated for the Regulation and Licensing Department (RLD) if HJC-SUB-HB296 is enacted would be for the necessary additions and updates that would have to be made to the NM Plus online licensing system that is utilized by the RLD for all licensing under the Act. Contracting fees for information technology development and implementation of the necessary changes to the NM Plus licensing system to implement the new education/experience pathway is estimated to be fifty thousand (\$50,000) in FY26.

An administrative rulemaking process, including a public hearing and all required publication of notices and proposed rules, would likely be required to update and amend current administrative rules issued pursuant to the Act if HJC-SUB-HB296 is enacted. The RLD believes it can absorb the costs associated with the rulemaking processes for this bill within existing resources.

SIGNIFICANT ISSUES

The New Mexico Public Accountancy Board is aware of HJC-SUB-HB296 and discussed its implications at the January 7, 2025, meeting. The Board endorsed the provisions as written. Overall, the Board believes the impact of HJC-SUB-HB296 will be to make it more attractive for applicants to pursue the CPA profession without compromising the education, examination and

experience components of what is needed to be a CPA. It is also consistent with what changes other jurisdictions are making to their laws, rules, and policies. It will allow for CPA mobility so they can practice across different jurisdictions with similar licensure requirements which is also consistent with what other jurisdictions are trying to accomplish.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

The changes in HJC-SUB-HB296 from the original House Bill 296 make the requirements for out-of-state licensed CPA's and permit holders, who practice here by privilege (without a New Mexico license) more strenuous, keeping with the New Mexico requirements for initial licensure as a CPA. These changes are appreciated by RLD and will help ensure that all CPAs practicing in New Mexico have the same minimum qualifications in education and accounting experience. Further, pushing out the effective date from June 20, 2025, to January 1, 2026, will give RLD time to make sure the statute can be fully implemented with the new licensing path and rule changes required.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Board has indicated the following concerns if HJC-SUB-HB296 is not enacted:

1. Not acting on this bill would put New Mexico in the back of the pack of jurisdictions that are taking up similar bills in their legislature this year, making New Mexico inconsistent with the other jurisdictions who follow the UAA.
2. It could cause at least a two (2) year delay since in 2026, the legislature only meets for thirty (30) days, and they are primarily focused on budget items during that session. Therefore, they may not see this bill again until 2027.
3. It could risk mobility for CPAs to work in other jurisdictions if other jurisdictions adopt a similar law and ours is inconsistent with it.
4. It could cause individuals to pursue other professions because of the current barriers to entry to become a CPA through the current requirements. An additional pathway option could attract them to the CPA profession.
5. It could cause candidates to re-take exams if they pass the eighteen (18) month window. That has both a financial cost and a substantial time cost to prepare and retake the exam.

AMENDMENTS

The amendments requested in RLD's previous analysis of House Bill 296 and the House Commerce and Economic Development Committee Substitute for House Bill 296 have been incorporated in HJC-SUB-HB296