



***CPAs and Accounting Firms.*** The CBA regulates CPAs and accounting firms. To qualify for a CPA license, an applicant must meet educational, examination, and professional experience requirements, pass a background check, and pay applicable fees. Once licensed, CPAs are required to complete 80 hours of continuing education every two years as a condition of license renewal.

California's CPA mobility law allows a CPA whose principal place of business is located outside California and who holds a valid and current license, certificate, or permit to practice public accountancy from another state, to practice public accountancy in California under a practice privilege, provided the CPA meets certain conditions.

Accounting firms (corporations and partnerships) must obtain a license from the CBA before providing or advertising accounting services in California. The majority of owners of a corporation must be CPA licensees, and out-of-state CPA shareholders, partners, or employees of an accounting firm wanting to practice in California must obtain a California license. Some individuals associated with accounting firms licensed by the CBA are also required to register with the CTEC.

***Exemptions from the Tax Preparation Act.*** CPAs with a current and active license issued by the CBA, attorneys who are active members of the State Bar of California, and Internal Revenue Service-enrolled agents are exempt from the Tax Preparation Act and, therefore, are not required to register with CTEC when providing paid tax preparation services. Employees of those individuals are also exempt if a CPA, attorney, or enrolled agent supervises the employee, reviews the tax return, signs it, and is responsible for its content.

This bill extends the existing CPA exemption from the CTEC registration requirement to out-of-state CPAs working in California under a practice privilege.

This bill also exempts accounting firms licensed by the CBA, including the firm's owners, partners, shareholders, and employees from the requirement to register with the CTEC.

- 3) **Arguments in Support.** The California Society of CPAs, sponsor of this bill, notes that most states that regulate tax return preparers broadly exempt active CPAs and other licensed professionals—regardless of where they are licensed or reside. The society asserts:

These individuals are already under CBA oversight, yet the overlapping requirements of the Tax Preparation Act introduce unnecessary complexity and compliance burdens for CPAs and firms working to serve consumer needs effectively and efficiently.

- 4) **Arguments in Opposition.** The CTEC opposes the bill unless amended, asserting the language allows an employee of a licensed accountancy firm who is neither a CPA nor an Enrolled Agent to prepare tax returns without receiving the education required for CTEC registration. CTEC continues:

We do not believe it is the intent of the legislature to allow any owner of, or employee employed by, a licensed accountancy firm (such as the receptionist) to prepare and sign tax returns merely because of their employment or ownership status, however the language as currently

drafted would allow that to occur. The exemptions in the Tax Preparation Act have always been applicable to specific individuals who meet certain stated qualifications, not to firms as a whole.

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