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*Testimony of Mr. Stephen H. Epstein, CPA
House Committee on Regulatory Reform
House Bill 6196*

Mr. Chairman and members of the Committee:

As John stated, my name is Steve Epstein. In addition to the information he provided, I am a retired partner with PricewaterhouseCoopers and a member of the Michigan State Board of Accountancy. I am here today to provide testimony on behalf of the Michigan Association of CPAs in support of House Bill 6196 – and I thank you for the opportunity to do so.

The MACPA is a diversified, professional organization of more than 18,000 members in education, government, industry and public accounting – essentially every corner of Michigan’s economic marketplace. MACPA members serve essentially all types of Michigan business entities, school districts, municipalities and other governmental agencies. Their role is key in serving the financial markets, both private and public. As the state’s premier professional organization for CPAs, MACPA members promote high standards of quality, objectivity, integrity and practicality in the services they provide.

The MACPA strongly endorses every aspect of the reform before you today. This legislation is the product of many months of work and coordination with the MACPA, members of the State Board of Accountancy and the License Bureau within DELEG.

I would like to briefly describe two substantive portions of this legislation and then I would gladly take any questions you may have.

First, House Bill 6196 revises the experience requirements for CPA certification in the State of Michigan by allowing candidates for certification to obtain said experience while working outside of a public accounting firm. There are essentially three pieces to obtaining a CPA certificate – education (150 hours of specifically prescribed requirements), examination (passing the Uniform CPA exam) and experience (1 year of qualifying experience). Currently, in the State of Michigan, this 1 year of qualifying experience must be met in a public accounting firm or in some specific areas of government (i.e. the audit division of the Department of Treasury).

I’d like to call you attention to the color map we provided that illustrates that Michigan is one of one four jurisdictions that does not permit the experience requirement to be met in industry. National uniformity is only one among the many compelling arguments for this reform, also including changes in the marketplace for new CPAs. At the end of the day, we are losing some of our very best and brightest young talent to states that allow industry experience to qualify for CPA certification. Bringing Michigan in line with the other 49 certificate-granting jurisdictions is imperative.

Secondly, this legislation amends the criteria for obtaining a reciprocal CPA license in Michigan. Under current law, if a CPA and resident of another state is moving to Michigan and consequently seeks a reciprocal license in the state, the individual must provide proof that the qualifications under which they originally receive certification in their home state are substantially equivalent to what the qualifications were in Michigan at the same time. This is a bit complex, so allow me to illustrate with a hypothetical. If I received my CPA license in North Carolina in 1975 and am moving to Michigan, in order to obtain a reciprocal license in Michigan, I must provide to the state that the requirements I met in North Carolina in 1975 match what Michigan's requirements were in 1975.

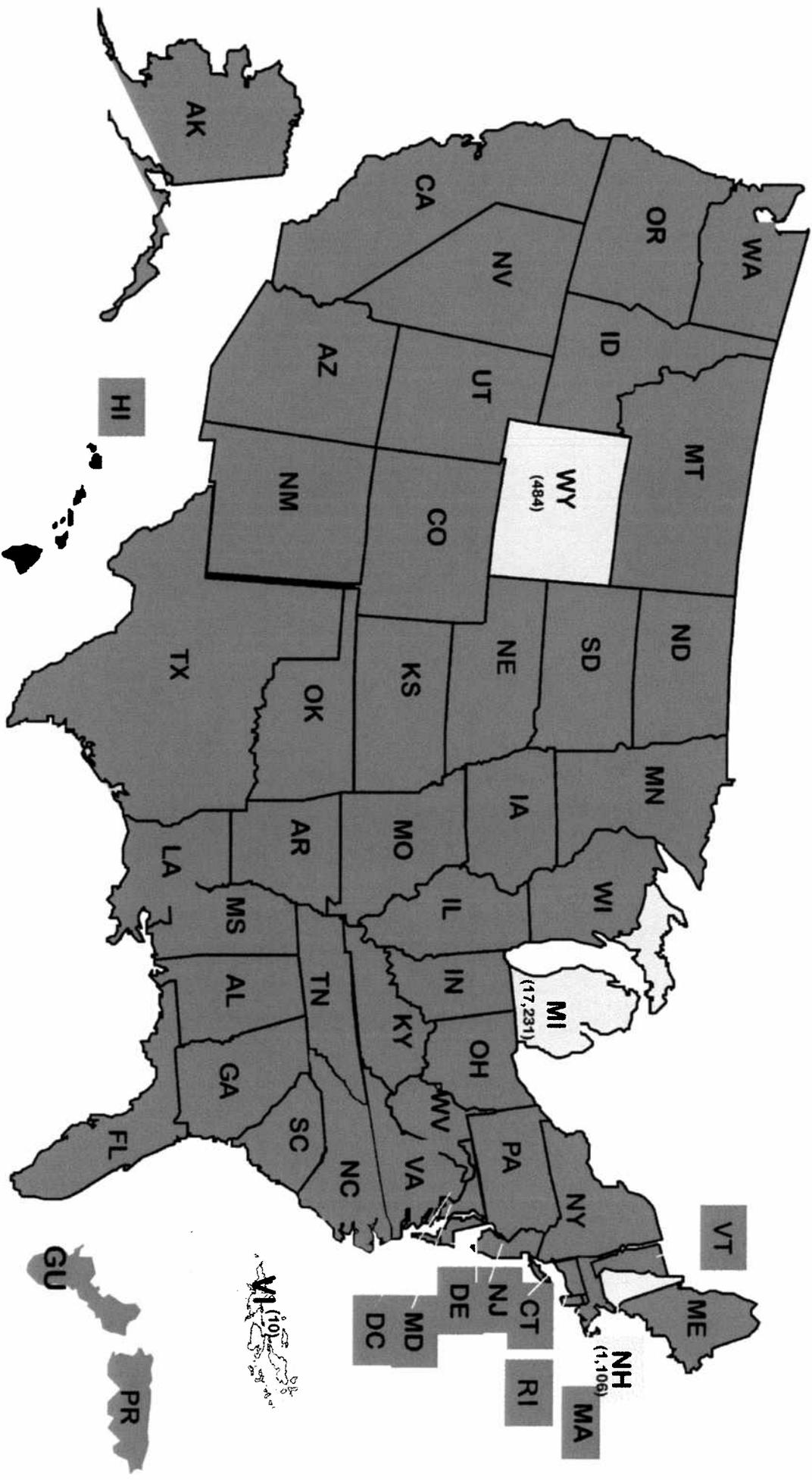
The Sarbanes-Oxley Act and other factors require the constant movement and transfer of CPAs from state-to-state. Requiring individuals moving their practice to Michigan to meet these requirements does not provide any protection to the public and only slows the process. The manner in which the vast majority of other license-granting jurisdictions have addressed this issue is through the implementation of a "4 in 10" rule, which this legislation proposes. Under the proposed "4 in 10" rule, similar to what exists in approximately 49 other jurisdictions, an individual seeking a reciprocal license in Michigan need only prove to the State that they are currently licensed and that they have been practicing with said license for a minimum of 4 in the last 10 years.

I hope that I was successful in explaining the substantive portions of this legislation. There are many other small, technical changes and language adjustments in the bill as well.

I thank you for your time and John or I are happy to answer any questions you may have.

Thank you.

Experience Requirement for CPA Certification 2010



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Industry Experience Acceptable by Board

4

Industry Experience Not Acceptable by Board