



# CPA deregulation

By Ken Wysocky

**L**egislation to eliminate licensing requirements for certified public accountants and other professions has gained traction in dozens of states, and some industry leaders fear that Wisconsin could soon join their ranks. The move could put both accountants and consumers at risk.

“This is a very real threat,” said Skip Braziel, vice president of state regulatory and legislative affairs for the American Institute of Certified Public Accountants. “If you’re at all concerned about the level of competency of the higher learned professions in the marketplace, you need to pay attention to this.”

So far, 36 states have considered 54 bills in 2017 and 2018, said John Johnson, director of legislative and governmental affairs for the National Association of State Boards of Accountancy. Some states are considering multiple similar bills. Generally speaking, the bills propose either eliminating or diluting licensing requirements or reviewing existing occupational licensing requirements.

To date, only a handful have passed, and state and national CPA organizations have successfully removed CPAs from the bills or weakened language that could’ve been much harsher, Braziel said. Nonetheless, local and national accounting professionals like Braziel still are sounding the alarm and mounting opposition.

“Licensing is important...the public needs to know that CPAs are competent and that they go through a rigorous process to determine that competency,” Braziel said. “Some would argue that there are other methods to prove competence. But I would argue that licensure is the best

*“If you’re at all concerned about the level of competency of the higher learned professions in the marketplace, you need to pay attention to this.”*

*– Skip Braziel, vice president of state regulatory and legislative affairs, AICPA*

method because it creates consistent standards that provide certainty in the marketplace.”

Moreover, if CPAs don’t meet those standards, there’s a clear and transparent process for getting them back into compliance. And if they don’t, there’s also a process to remove them from the profession.

Furthermore, eliminating licensure for CPAs would disrupt a core tenet of the industry. “We’ve spent decades creating a uniform regulatory system that allows CPAs to move across state lines without relicensing,” Braziel said. “But that’s dependent on each state being substantially equivalent in terms of licensing requirements. So if regulations are changed by one of these bills, the tapestry of our regulatory system becomes frayed, which is a risk unique to CPAs.”

## An issue with bipartisan support

Opposing such legislation in today's volatile and polarized political environment is tricky because removing or diluting licensing requirements is that rarest of animals: an issue that's generally supported by both liberals and conservatives alike, observers said.

Democrats typically support such bills because they open up job opportunities for members of marginalized communities by reducing the hurdles that make it difficult to start small businesses. Republicans also are proponents because deregulation meshes well with the party's less-government-is-better-government philosophy. Moreover, such legislation fits into their right-to-work agenda, Braziel said.

"The topic resonates across the political spectrum, from progressives all the way to libertarians and every gradation in between," Braziel said. "There is some deep intellectual thought that goes into the issue, but it's not simply on one side of the political spectrum."

Most of the bills are based on model legislation drafted by think tanks and other institutions. While well-intended, the bills are problematic for the accounting profession because they tend to lump CPAs and other "learned" professions (such as the engineering, medical and legal professions) in with hair braiders, barbers, tattooers and the like, industry observers noted.

In addition, Braziel warns that the anti-regulatory efforts don't always come in the form of formal legislation. In New Mexico, for instance, Governor Susana Martinez signed an executive order that allows people to perform services normally restricted to licensed professions, including CPA services. The only caveat: Service providers must tell customers they don't have a license, and the customers must sign a waiver acknowledging they were so informed.

To Braziel and others, the real question is how many occupations really need a high level of oversight to protect the public. "We could have a thoughtful conversation about this...but instead what we see is a rather blunt-force attempt to drop these really broadly written bills that bring everyone into the scope of the bill and force us to justify why we should be exempted," he said.

"You can see that perhaps at some point in our history, we've gone too far (with licensing regulations)," said John Scheid, CPA, the chief executive officer of Scheid Investment Group LLC and chairman of Wisconsin's Accounting Examining Board. "But that's certainly not the case for CPAs. I think the Wisconsin Department of Safety and Professional Services (DSPS) realizes this. I'm not expecting major changes, but you never know."

*"It's very important to protect the public and ensure that CPAs truly are professional and up to date on what's going on in the world today in businesses and professions."*

*– John Scheid, CPA, CEO, Scheid Investment Group LLC*

## The situation in Wisconsin

Scheid was referring to the department's pending review of state occupational-licensing requirements, requested by Walker in the 2017-'19 biennial budget request. Through the review, the department hopes to gain a better understanding of what occupational licenses exist in Wisconsin, determine how the state's licensing requirements compare to other states' laws and ensure that the state retains whatever licenses are necessary to protect citizens' health and public safety, according to a DSPS spokesman.

The study is scrutinizing the requirements that apply to more than 230 professions the department licenses and regulates, including CPAs. The department must present its findings and recommendations to the state legislature by December 31. After that, it's subject to consideration by the legislature and Governor-elect Tony Evers, the spokesman said.

"We're hopeful it (delicensing) won't become an issue in Wisconsin," Scheid said. "It's very important to protect the public and ensure that CPAs truly are professional and up to date on what's going on in the world today in businesses and professions."

On the other hand, Scheid is concerned because he already encountered pushback from some legislators while trying to garner support for a bill that mandated continuing education as a requirement for CPA license renewal. Gov. Walker signed the bill more than a year ago.

"It was interesting because when we started talking to legislators, in some cases we encountered some pushback, even some from legislators that I wouldn't have expected it from...because of this nationwide movement afoot to roll back regulations," he explained. "Some legislators said, 'My goodness, we're trying to eliminate some of the regulations and requirements and you're asking us to pass additional ones. We're heading in the wrong direction.'"

## The battle in Louisiana

Anyone in Wisconsin who scoffs at the thought that such legislation wouldn't pass here should listen to Ron Gitz, executive director of the Society of Louisiana CPAs. This past summer, Louisiana Gov. John Bel Edwards called state legislators back for three special legislative sessions to figure out how to eliminate a nearly \$650 million revenue shortfall in the state's budget. During a short regular legislative session squeezed in between the second and third special sessions, Gitz and others were surprised to learn that amid all the distractions about state finances, seven bills related to occupational licensing and regulations, introduced earlier in the year, were suddenly under consideration.

"All of a sudden the bills were out of committee and on the house floor," Gitz said, noting that normal legislative rules and protocols had been suspended in order to speed things up and leave enough time for the third special session. "And they had bipartisan support.

"We have a Democrat governor that thought the bills were great and Republican leadership that thought the bills were great," he added. "We represented the only real opposition... and I really thought that Louisiana was primed to advance this legislation because of all the budgetary distractions."

Gitz said pressure from national lobbyists in favor of delicensing only added to the chaos. But in the end, last-ditch efforts by the Louisiana society, NASBA and the AICPA—plus later support from other like-minded, non-CPA professional organizations—succeeded in delaying advancement of the bills.

"It basically was all-out war," Gitz said. "We talked to anyone and everyone who would listen...but the old argument about how the CPA profession was different from others just wasn't holding water.

Gitz asked to have CPAs carved out of the bill, but was told that if one profession was carved out, everyone would want the same treatment. "So it was just easier to lump CPAs together with horse massagers, hair braiders, florists and so forth," he said.

The issue also was clouded by sympathetic bill titles, such as the right to Earn a Living Act. As Gitz noted, it's difficult to oppose something that sounds so positive. Proponents of the bills also told Gitz and others that CPAs could be removed from legislation after the fact. "We said if that's the case, just take us out from the beginning," he said.

Gitz also warns other state CPA societies that licensing-elimination bills may not emerge from the usual state-legislature committees, which creates a disadvantage if society members don't have established relationships with legislators on those committees. "It might come from legislators you don't normally talk to," he said. "In this case, the bills came through the Commerce Committee instead of the usual Ways and Means or Finance committees. So we were dealing with a different group of legislators than the ones we usually lobby with."

*"CPAs have a wealth of trust in these communities, and we need to spend some of that trust capital in this process."*

– Skip Braziel

Even though the bills were stymied, Gitz expects a revival in the next legislative session. "They told us they'd be back," he said. "The battle is not over yet."

## What should Wisconsin CPAs do?

Wisconsin CPAs must resist the naive belief that it can't happen here, Braziel warned. "Complacency is a big issue," he said. "You can't presume it will never happen in your state. People are predisposed to believe that a lot of bills get introduced, but most of them don't pass. That's true as a general rule, but we have to work very hard to protect ourselves, or we'll end up with worse bills passing in multiple states."

Braziel also urges CPAs to contact their state societies and volunteer to talk to legislators. Paid advocates have a place in the overall strategy, but regular people that live and work in communities—and who may know legislators—can be just as effective. "CPAs have a wealth of trust in these communities, and we need to spend some of that trust capital in this process," he said.

In conjunction with that, NASBA and the AICPA are developing a "tool kit" for CPAs that will be distributed to state CPA societies and boards of accountancy by the end of the year. It will contain talking points, messaging suggestions and other information that will help CPAs educate legislators, Johnson said.

"We need to be proactive and educate legislators about the profession and how these bills could cause great harm to the public," he said. "Being proactive is critical. We're always going to be playing whack-a-mole to an extent (as legislation pops up), because that's the nature of the beast.

"If you can engage and educate legislators and staff on the front end, it makes it much easier to have that follow-up discussion about a particular piece of legislation and makes more obvious to them the dangers of weakening licensure when it comes to the financial well-being of the constituents they serve," he concluded.

Gitz urged other CPA societies to get up to speed on the issue and develop strategies in case legislation is proposed in their states. As he put it, "It's terribly important that we're all prepared for this."

*Ken Wysocky is a freelance writer based in Whitefish Bay. Contact him at 414-962-6202 or [kwysocky@wi.rr.com](mailto:kwysocky@wi.rr.com)*