

# If State CPA Licensure Requirements Change, Make Sure You Understand the Compliance Implications

## Overview

CPAs currently benefit from a nationwide licensing system that allows almost complete freedom to practice virtually or in-person across states without having to obtain additional licenses.<sup>1</sup> **This is known as practice mobility.**

Mobility is possible because under the CPA licensing system all licensees – regardless of the state in which they are licensed – have met similar underlying educational, examination, and experience requirements as CPAs in other states. **This foundation is known as “substantial equivalency.”** It is why states can trust, and accept the qualifications of a CPA license from other states and it is what enables CPAs to practice across states virtually or in-person.

Actions being pursued in several states would change the education and experience requirements related to obtaining a license in those states. This would mean **CPAs licensed in states with modified requirements may no longer meet the criteria that are viewed as necessary to satisfy the “substantial equivalency” tests in certain other states. As a result, the ability to practice across those states – in-person or virtually – could be jeopardized and become more complicated.**

This resource is provided by the AICPA to prepare licensees in the event they lose the ability to practice across states. It is designed to guide you and your employer through compliance implications when the CPA is licensed in states that have changed licensing requirements.

**Changes in state licensure requirements will trigger a need to assess compliance with licensing requirements with respect to practice in other states.** It is important to understand the types of mobility to understand what compliance will be needed to allow for continued practice in other states.

## Types of Mobility

Mobility allows CPAs licensed in a particular state to work virtually or in-person across state borders or in multiple states without having to obtain a license in the other states. There are different types of mobility.

### 1. Automatic Mobility

When practicing in any of the four states that confer automatic mobility – Alabama, Nebraska, Nevada, and North Carolina – a CPA license from a home state (the state in which the CPA is licensed) is treated like a CPA license in the host state (the state in which the CPA seeks to practice); this system is akin to the mutual recognition of driver's licenses across states. A CPA benefitting from automatic mobility may practice public accountancy in states other than their home state without any further action on the CPA's part. While the CPA must follow the laws and rules of the host state and is subject to that state's jurisdiction, the CPA does not need to obtain an additional license, provide notice, or pay a fee to practice across state borders.

### 2. Mobility Based on Substantial Equivalency

Today, most CPAs can provide services in other states because their home state's educational, examination, and experience requirements are based on substantial equivalency. States with mobility based on substantial equivalency rely on different mechanisms to determine whether another state's requirements are substantially equivalent. However, a CPA benefitting from state-level substantial equivalency may practice public accountancy in states other than their home state without any further action on the CPA's part.

In addition to substantial equivalency that is based on another state's requirements having been determined to be substantial equivalent, certain states also permit CPAs to practice in their states based on individual-level determinations as to the substantial equivalency of an individual's CPA credentials. This process is unlike true mobility, however, in that individual substantial equivalency may still require the individual to take certain steps prior to engaging in practice in that host state. These steps may include obtaining a certificate of substantial equivalency from the National Qualification Appraisal Service (NQAS).

<sup>1</sup>This discussion focuses on the CPA licensure requirements and practices in the 50 states. CPA licensure practices in the District of Columbia and U.S. territories use a similar framework as that described herein. CPAs licensed in or seeking to practice in the District of Columbia or a territory should consult the licensure and mobility rules of that jurisdiction.

## Exceptions to Mobility

### Where Mobility Is Not Permitted

As of October 2023, only one state – Hawaii – does not permit mobility. That means a CPA licensed in another state must obtain a CPA license in Hawaii before practicing in Hawaii.

### Where There Is No Substantial Equivalency

As of October 2023, all states have licensure requirements that satisfy the substantial equivalency standard established by NQAS. However, legislation has been proposed to reduce the educational requirements for licensure. Depending on the evaluations of any adopted legislation by NQAS and other states, any state adopting such legislation may no longer be considered to have licensing requirements that are substantially equivalent by certain other states. As a result, a CPA licensed in a state that is no longer substantially equivalent may not benefit from mobility (at least from a state-level substantial equivalency perspective) and would have to obtain either a determination of individual substantial equivalency or an additional license to practice in those states. The process for obtaining a license will be described on the website of the board of accountancy in each host state.

*Example: Consider a CPA that is licensed in a state that has adopted new licensing requirements that are no longer considered substantially equivalent by a neighboring host state and that CPA needs to serve clients in that neighboring host state.*

***If that CPA was licensed under the home state's previous, substantially equivalent requirements, and the host state allows for individual substantial equivalency, the CPA could obtain a determination of individual substantial equivalency to practice, either virtually or in-person, in the neighboring host state.***

***Alternatively (or if the neighboring state does not permit individual substantial equivalency), the CPA could obtain a separate license to practice, either virtually or in-person, in the neighboring state. This separate licensing option would likely be the only option available to CPAs licensed pursuant to the new (not substantially equivalent) requirements.***

# Interstate Practice Compliance Checklist for CPAs from States with Changing Licensure Requirements

Given the potential for states to create new individual and unique licensing requirements for CPAs, you need to consider the following steps to determine whether and by what process you would be able to practice, virtually or in-person, in another state. Always review the relevant guidance issued by the host state's board of accountancy – for example, on its website – to help ensure a proper understanding of the laws and regulations of the state **BEFORE** practicing or servicing clients in the state.

## 1 Compile Personal Licensing Information

- Confirm what licensure requirements you satisfied in connection with obtaining your license in your home state – for example, the hours of relevant coursework completed, the years of experience obtained, etc.
- Confirm when you first obtained your original state license.

## 2 Analyze State Regulations

- Study the current state statutes and regulations pertaining to the licensure of CPAs in states where you desire to work, in-person or virtually. These state laws are available on the website of the board of accountancy for that state and at <https://cpamobility.nasba.org>.
- For compliance purposes, you must understand and adhere to the state practice requirements in any state in which you practice.

**IF IT IS AVAILABLE**, you may practice without obtaining a separate license. A state grants automatic mobility if the only requirement for mobility is that a CPA be licensed in another state.

**IF IT IS NOT AVAILABLE**

## 3 Determine if Automatic Individual Mobility is Available in the Host State

## 4 Determine if Mobility Based on Substantial Equivalency Remains Available

*State-level substantial equivalency exists if, according to the host state's laws, CPAs licensed in your home state are permitted to practice, either virtually or in-person, in the host state – notwithstanding the recent change in your home state's licensure requirements – without further action such as registration with or notification to the board of accountancy in that host state. The host state may have issued guidance on this issue in the wake of changes to your home state's licensure requirements, so check the host state's website and available guidance.*

**IF IT IS AVAILABLE**, you may practice without obtaining a separate license.

**IF IT IS NOT AVAILABLE**

## 5 Determine if Individual-Level Substantial Equivalency with Process is Available

*If state-level mobility is not available, determine if the host state allows CPAs to petition to have their individual qualifications reviewed to determine if they – as an individual – are substantially equivalent even if their home state is not.*

- IF YES,**
  - Identify the body that recognizes CPAs as substantially equivalent.
  - Understand requirements for you to be deemed equivalent.
  - Apply for individual substantial equivalency.
  - Reviews may lead to practicing in a host state under **EQUIVALENCY**, usually with a process.

- IF NO**, (i.e., the host state does not provide for consideration of individual substantial equivalency or does not recognize the CPA as individually substantially equivalent), you **MUST PURSUE LICENSURE** to practice public accountancy.

*Disclaimer: This guide is intended solely as an example of the analysis that may be relevant to determine if a CPA is permitted to practice in a state. It is intended to provide general guidance when a CPA is practicing from state to state when mobility is no longer in place. By using this guide, a CPA understands that no legal advice has been sought from, or is being provided by, the American Institute of Certified Public Accountants (AICPA) or any of its employees or agents.*