

Proposed Amendments

Title 40 Chapter 2 Accountants

Revision 2.0
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PREFACE TO PROPOSED CHANGES:

In the professional and occupational licensing world, the Certified Public Accountant (CPA) profession stands unique. Governed at the state level, a license enables national practice rights, thus forming an interesting interplay of local and national jurisdictions. It is within this juncture that we propose revisions to Title 40, Chapter 2 of South Carolina's laws, which pertain to the regulation of this profession.

Three primary objectives drive the proposed legislative amendments:

1. Correcting minor errors in content and references to ensure absolute accuracy and consistency in the statutory language. This is fundamental for clear interpretation and application of the law.
2. Creating flexibility in our licensing framework to adapt to external changes in licensure. The dynamic nature of today's economic and professional landscape necessitates a system capable of evolving in response to changing circumstances.
3. Ensuring the South Carolina Board of Accountancy (SC BOA) maintains jurisdictional authority over any CPA providing services to South Carolina clients. This provision aims to uphold the highest standards of professional conduct, regardless of geographical barriers, and protect the interests of citizens.

Our proposals are the outcome of in-depth research, widespread consultation, and thoughtful deliberation. We recognize that changes to the licensing system have broad implications. They affect not only the CPAs who are directly licensed by the system but also all those who rely on the services of these professionals. Specific consideration was given to public protection and the role financial professionals play in workforce development.

The revisions are intended to strike a balance between ensuring rigorous professional standards and promoting accessibility and efficiency in the licensing process. They aim to modernize our regulatory framework, adapting it to the evolving demands of our economic and professional landscape while retaining the critical protections provided by our legal system.

The proposed changes are documented on the following pages. We thank you for your time in reviewing these proposed changes and welcome any questions or feedback you may offer.



Chris Jenkins – CEO of SCACPA

On behalf of the Executive Committee of the South Carolina Association of CPAs.

SECTION 40-2-20. Definitions.

COMMENT: Corrections are needed for a reference error in 40-2-20(2)(a)(v).

(2)

(a) "Attest" means providing the following services:

- (i) any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS);
- (ii) any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS);
- (iii) any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE);
- (iv) any engagement to be performed in accordance with Public Company Accounting Oversight Board (PCAOB) Auditing Standards; or
- (v) any examination, review, or agreed upon procedure to be performed in accordance with the SSAE, other than an examination described in subitem (iii) ~~(e)~~.

(b) Any standards specified in this definition shall be adopted by reference by the board pursuant to rulemaking and shall be those developed for general application by national accountancy organizations, such as the AICPA or the PCAOB.

COMMENT: Changes were made to Item 40-2-20(23)(b) to include common digital communication techniques. The updated wording considers the possibility of non-licensees exploiting digital tools and strategies to skew search engine results, which could potentially misguide the public.

(23) "Practice of accounting" means:

- a) issuing a report on financial statements of a person, firm, organization, or governmental unit or offering to render or rendering any attest or compilation service. This restriction does not prohibit any act of a public official or public employee in the performance of that person's duties or prohibit the performance by a nonlicensee of other services involving the use of accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports; or
- b) using or assuming the title "Certified Public Accountant" or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, electronic file, metadata tag, or any other device ~~or device~~ tending to indicate that the person is a certified public accountant.

COMMENT: The core purpose of 'substantial equivalency' as per 40-2-20(33), outlined in Appendix B of the UAA, is to promote professional mobility for proficient CPAs. Given that this concept of substantial equivalency is based on the standards detailed in the UAA, it also acts as a protective measure for the public's wellbeing. However, the current legal definition of 'substantial equivalency' or 'substantially equivalent' is somewhat restricted, mainly addressing the comparison of an individual's proficiency with the licensing requirements of another jurisdiction,

South Carolina Code 40-2-20 applies 'substantial equivalency' or 'substantially equivalent' in scenarios not captured within Appendix B, and that extend beyond the explicit wording of the UAA. For example, the phrase in section 40-2-35(C)(b) "at least twenty-four semester credit hours, or the substantial equivalent..." suggests that these credit hours could be replaced with an alternate (substantially equivalent) solution.

Moreover, this legal definition is cited in multiple sections of the statute, making it difficult to remove. The real challenge lies in harmonizing the various applications of these terms while preserving the fundamental objectives laid out in Appendix B. This language is an attempt to broaden this definition to allow for additional use.

(33) "Substantial equivalency" or "substantially equivalent" is a determination by the board or its designee that the education, examination, ~~and~~ or experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed the completion of, a baccalaureate or higher degree in an accounting concentration that includes one hundred fifty semester hours of education, at least one year of acceptable experience, and successful completion of the Uniform CPA Examination. this State's requirements. Any jurisdiction found to be substantially equivalent by NASBA's National Qualification Appraisal Service is considered to be substantially equivalent to this State. In ascertaining substantial equivalency as used in this chapter, the board or its designee shall ~~take into account~~ consider the qualifications without regard to the sequence in which experience, education, or examination requirements were attained.

SECTION 40-2-30. Licensing or registration requirement; form for issuance of report by person other than CPA or PA; use of titles CPA and PA; exemptions.

COMMENT: The amendment was proposed by former Board of Accountancy member, Ellen Adkins, to align with the revised definition of 'attest' and to incorporate 'compilation' as a separate service. Compilation services, as defined, do not fall within the primary definition of 'attest' but have their own distinct definition. Additional changes in the statute will be needed for consistency.

(E) A firm may not provide attest or compilation services or assume or use the title 'Certified Public Accountants', 'Public Accountants' or the abbreviation 'CPAs' and 'PAs', or any other title, designation, words, letters, abbreviation, sign, card, or device indicating the firm is a CPA firm unless:

- (1) the firm holds a valid registration issued under this chapter or is exempt from the registration requirement by operation of subsection (I);*
- (2) ownership of the firm is in accordance with Section 40-2-40(C) and implementing regulations promulgated by the board, unless the firm is exempt from the registration requirement by operation of subsection (I); and*
- (3) owners who are not certified public accountants must be permitted to use the titles "principal", "partner", "owner", "officer", "member", or "shareholder" but must not hold themselves out to be certified public accountants.*



SECTION 40-2-35. Requirements for license to practice; fulfilling education, examinations, and experience requirements.

COMMENT: Item (C)(2) is amending the existing statute to clarify the nature of educational programs and the Board's power to adopt them. Item (C)(3) is designed to protect workforce development, ensuring that South Carolina continues to attract skilled professionals in case a consortium of five or more states chooses to modify educational requirements.

(C)

(1) *To meet the educational requirement as part of the one hundred fifty semester hours of education needed for licensure, the applicant must demonstrate successful completion of:*

- (a) *a baccalaureate, masters, or doctoral degree;*
- (b) *at least twenty-four semester credit hours, or the substantial equivalent, of accounting courses that are applicable to a baccalaureate, masters, or doctoral degree and that cover some or all of the following subject matter content, excluding principles or introductory accounting courses: financial accounting for business organizations, financial statement auditing and attestation services, taxation, accounting information systems, financial accounting for government and not-for-profit entities, managerial or cost accounting, mergers and acquisitions, accounting based data analytics and interrogation techniques, financial planning, fraud examination, internal controls and risk assessment, financial statement analysis, accounting research and analysis, tax research and analysis, accounting professional ethics, and other areas approved by the board taught at the junior level or above; and*
- (c) *at least twenty-four semester credit hours, or the substantial equivalent, of business courses, other than accounting, that are applicable to a baccalaureate, masters, or doctoral degree and that cover some or all of the following subject matter content: business law, economics, management, marketing, finance, business communications, statistics, quantitative methods, data analytics, data interrogation techniques, business data acumen, information systems or technology, business ethics, and other areas approved by the board and which may include semester credit hours, or the substantial equivalent, in accounting content not used toward meeting the requirement in subitem (b).*

(2) ~~*The board may review and accept individual courses and educational programs determined to be substantially equivalent to the foregoing. Within its regulatory capacity, the Board may, by regulation or ruling, approve up to thirty hours of educational credit derived from non-accredited sources, such as unaccredited courses, apprenticeships, certificates, experiential learning, or alternative educational programs. This endorsement is contingent upon the prior fulfillment of all prerequisites detailed in (C)(1) items (a),(b), and (c) and subject to the condition that the learning content from*~~



such non-accredited sources does not redundantly cover the subject matter already stipulated under accredited criteria.

- (3) Should five or more states establish and implement alternative educational requirements or programs, such requirements or programs shall be acknowledged and become operative within this State. This validation only applies to jurisdictions that have adopted comparable educational standards, ensuring the robustness and integrity of the educational foundation of licensure.

COMMENTS: Alterations to item (F) stem from our conviction that the existing 18-month examination period does not provide any public safeguards, yet it does impose an undue burden on candidates. We have ascertained that while the UAA committee does recommend a 30-month exam window, a jurisdiction's examination duration doesn't influence the determination of substantial equivalency. Our requests for evidence to justify the 30-month timeframe have not been responded to.

We are of the opinion that the 2024 CPA evolution's extension of 18 months (the exam reset) establishes a new standard of a 36-month period beginning January 1, 2024. Without data supporting a shorter duration, our preferred option is to maintain the newly defined exam window, and we have proposed changes to the statute to enshrine this current practice. We've also given due consideration to future needs, allowing the Board to provide future extensions if required.

Additionally, we believe that the 120-hour Continuing Professional Education (CPE) requirement is excessively demanding for candidates and offers no further protection to the public. The certificate date is determined by the licensure date, not the exam date, so there's no public confusion about the date of licensure.

(F) To meet the exam requirement, a candidate must pass all sections of the Uniform CPA Examination.

(1) A candidate may take the required test sections individually and in any order. Credit for any test section passed is valid for ~~eighteen months~~ thirty-six (36) months from the actual date the candidate took that test section, without having to attain a minimum score on any failed test section and without regard to whether the candidate has taken other test sections.

(a) A candidate must pass all sections of the Uniform CPA Examination within a rolling ~~eighteen month~~ thirty-six (36) month period, which begins on the date that the first test section is passed. The board by regulation or ruling, may provide additional time to applicants. ~~on active military service~~. The board also may accommodate any hardship which results from the conditions of administration of the examination.

~~(b) A candidate who applies for a license more than three years after the date upon which the candidate passed the last section of the Uniform CPA Examination~~



~~must also document one hundred twenty hours of acceptable continuing professional education in order to qualify, in addition to all other requirements imposed by this section.~~

(2) A candidate may arrange to have credits for passing sections of the Uniform CPA Examination under the jurisdiction of another state or territory of the United States transferred to this State. Credits transferred for less than all sections of the examination are subject to the same conditional credit rules as if the examination had been taken in South Carolina.

COMMENT: Item (G) has been revised to coincide with the suggested regulations. Furthermore, a service that was deemed irrelevant, as reported by the Board Administrator, has been removed.

(G)

- (1) at least one year of accounting experience, which must include providing a service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills verified by a CPA in industry, academia, or public practice or verified by a valid report from NASBA's Experience Verification. This experience may be supervised by a non- licensee but must be verified by a CPA with direct personal knowledge of the experience who is licensed to practice accounting in some state or territory of the United States or the District of Columbia for the duration of the qualifying experience;
- (2) teaching experience to include at least twenty-four semester hours of teaching courses that are applicable to a baccalaureate, masters, or doctoral degree and which may cover subject matter areas such as financial accounting, taxation, and auditing, taught at the intermediate accounting level or above. This experience may be supervised by a non- licensee but must be verified by a CPA with direct personal knowledge of the experience who is licensed to practice accounting in any state or territory of the United States for the duration of the qualifying experience; or
- (3) any combination of experience determined by the board to be substantially equivalent to the foregoing.
- (3) ~~submitting Substantial Equivalency Evaluation report from the NASBA National Qualification Appraisal Service verification that his CPA qualifications are substantially equivalent to the CPA licensure requirements of the AICPA and NASBA Uniform Accountancy Act;~~

SECTION 40-2-40. Grant or renewal of registration to practice as firm; qualifications for registration; changes in identities of partners or officers.

COMMENT: Modifications to item (B) are necessary to incorporate compilation services, as they are not encompassed within the foundational definition of attest.

(B)

(1) a firm with an office in this State performing attest services as defined in Section 40-2-20(2), or performing compilation services as defined in 40-2-20(6), or engaging in the practice of accounting as defined in section 4-2-20(23);

(2) a firm with an office in this State that uses the title 'CPA' or 'CPA firm'; or

(3) a firm that does not have an office in this State but performs attest services described in Section 40-2-20(2), or performs compilation services as defined in 40-2-20(6), in this State, unless it is exempt from registration pursuant to Section 40-2-30(1).

COMMENTS: The modifications in item (C) are designed to rectify a reference mistake found in the previous updates to the statute.

(C)

(3) For firms registering under subsection (B)~~(1)(a) or (b)~~, there must be a designated resident manager in charge of each office in this State who must be a certified public accountant licensed in this State.



SECTION 40-2-80. Investigations of complaints or other information suggesting violations; report.

COMMENT: The modifications to (B)(1) have been made at the behest of the Director of the LLR to assist in staffing matters. The suggested alterations would maintain the prerequisite for a CPA investigator with five years of experience but would eliminate the requirement for this experience to have been gained within this State. (B)

(1) An investigation of a licensee pursuant to this chapter must be performed by an inspector investigator who has been licensed as a certified public accountant ~~in this State~~ for at least five years. The inspector investigator must report the results of his investigation to the board no later than one hundred fifty days after the date upon which he initiated his investigation. If the inspector investigator has not completed his investigation by that date, then the board may extend the investigation for a period defined by the board. The board may grant subsequent extensions to complete the investigation as needed. The inspector investigator may designate additional persons of appropriate competency to assist in an investigation.

SECTION 40-2-240. Licensing of persons licensed in another state.

COMMENT: This section of the statute pertains to the procedure for granting licenses through reciprocity. If any jurisdictions lose their status of substantial equivalency, South Carolina would stop recognizing the affected licensees as qualified CPAs. Although alternative pathways exist outside of a state's substantial equivalency (such as individual substantial equivalence), these can considerably burden both the applicant and the Board of Accountancy staff. This form of restriction to reciprocity can negatively impact CPA firms and local businesses, especially those looking to recruit out-of-state staff into their local firms.

Given the changing dialogue surrounding licensing requirements across various states, refining our language is crucial. This preemptive step would ensure that any individual, who holds an active license and is lawfully authorized to practice in their home jurisdiction, can obtain a South Carolina CPA license.

[STRIKE CURRENT LANGUAGE AND REPLACE]

SECTION 40-2-240. Reciprocity the licensing of persons licensed in another state.

(A) The board shall issue a license to an applicant who:

- (1)** possesses an active certificate, license, or permit issued under the laws of any state, territory within the United States, the District of Columbia, or any foreign authority, the latter being recognized by the International Qualifications Appraisal Board (IQAB) and subject to Mutual Recognition Agreements (MRAs); and
- (2)** is legally authorized to practice in the jurisdiction where the existing license is held; and
- (3)** certifies that they are in compliance with the Continuing Professional Education (CPE) requirements as determined by the jurisdiction where the existing license is held.

(B) To apply for a license pursuant to this section, an applicant must:

- (1)** disclose all domestic and foreign jurisdictions where the applicant has either applied for or holds a designation to practice public accountancy or where any such applications have been denied; and
- (2)** submit an application to the board and remit the requisite application fee as prescribed by the board.

(C) Each licensee awarded a license under this section must notify the board in writing within thirty days following any issuance, denial, revocation, or suspension of a designation or initiation of any disciplinary or enforcement action against the licensee by any jurisdiction.

SECTION 40-22-45. Requirements to practice if licensed out of state.

COMMENT: This section of the statute provides CPAs, whose principal place of business is outside South Carolina, the privilege to practice within the State. Often referred to as "mobility," this section not only grants privileges but also vests the Board with the power to exert subject matter jurisdiction and disciplinary oversight over CPAs exercising mobility. Notably, the existing language uses the concept of "substantial equivalency," as defined by NQAS (a division of NASBA), as the assessment metric for mobility.

There's a trend among jurisdictions aiming to broaden access to CPA qualifications for non-traditional candidates. NASBA's reaction, both in written and verbal communication, indicates that any additional licensure routes could endanger a state's status of substantial equivalency. This statement from NASBA triggers significant concerns about public protection.

If states were to lose their status of substantial equivalency and mobility, the influence on the profession would be significant. Additionally, the associated risk to the jurisdictional authority of the South Carolina Board of Accountancy and the safeguarding of our citizens is severe and requires mitigation. If NASBA, through the NQAS, were to implement its stated intentions, the South Carolina Board of Accountancy could lose its subject matter jurisdiction and disciplinary authority over CPAs from states no longer classified as substantially equivalent. As a result, the Board would be forced to yield control to the South Carolina Administrative Court as specified in 4-2-210.

[STRIKE CURRENT LANGUAGE AND REPLACE]

SECTION 40-2-245. Mobility requirements to practice if licensed out of state.

- (A) *Individuals whose principal place of business is outside this State, possessing an active certificate, license, or permit issued under the laws of any state, territory within the United States, the District of Columbia, or any foreign authority recognized by the International Qualifications Appraisal Board (IQAB) and subject to Mutual Recognition Agreements (MRAs), are presumed to have qualifications equivalent to this state's requirements. Such individuals may exercise all the privileges of this State's licensees without obtaining a license under Section 40-2-35, provided they are lawfully authorized to practice in their licensing jurisdiction.*
- (B) *Notwithstanding any other provision of law, an individual who offers or renders professional services, whether in person or by mail, telephone, or electronic means pursuant to this section, is granted practice privileges in this State subject to the requirements of subsection (C). No notice, fee, or other submission may be required of the individual.*
- (C) *By exercising the privileges under this section, an individual licensee or holder of a permit to practice from another jurisdiction and the firm employing that licensee inherently consent to:*



- (1) The personal and subject matter jurisdiction, as well as the disciplinary authority of the board;*
 - (2) Compliance with the regulations and provisions of this section;*
 - (3) Cease offering or rendering professional services in this State individually or on behalf of a firm, if their license from their principal place of business is no longer valid; and*
 - (4) Have an administrative notice of hearing served on the board in the individual's principal state of business in any action or proceeding by this board against the licensee.*
- (D) A licensee of this State offering or rendering services or using his or her CPA title in another state is subject to disciplinary action in this State for an act committed in another state for which the licensee would be subject to discipline for an act committed in the other state. The board shall investigate any complaint made by the board of accountancy of another state.*