Analysis of the Uniform Accountancy Act and State Accountancy Laws

Prepared by: The South Carolina Association of Certified Public Accountants

South Carolina Association of CPAs

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EXECUTIVE SUMMARY

The South Carolina Association of CPAs (SCACPA) is committed to fostering an esteemed, vibrant, inclusive, and resilient future for the CPA profession. We champion a cooperative and transparent approach to resolving issues and believe the best solutions arise from shared insights across stakeholders.

Acknowledging the fluidity of our profession, we strive to promote professional mobility and reciprocity for CPAs. It's vital that the proposed laws we draft uphold the rights of all CPAs, whether they work within South Carolina or elsewhere. This approach bolsters our profession's quality and enhances South Carolina's economic strength by attracting and retaining top talent from all regions.

South Carolina Legislative Mandates

SCACPA understands that public interest and robust workforce development are paramount when advancing legislation in South Carolina. Moreover, SCACPA supports dual-purpose legislation for Certified Public Accountants (CPAs). Such laws should not only advance South Carolina's interests but also ensure seamless operation across state borders.

Historic Agreements and the UAA

The UAA, a result of joint efforts between the AICPA and NASBA, provides crucial guidance for state-level laws and regulations. Appendix B specifically outlines the requirements for the NASBA National Qualification Appraisal Service's (NQAS) review process for a jurisdiction's licensing requirements, seeking to establish "substantial equivalency," while the preface material provides context for the drafted rules within the UAA.

SCACPA is aware of the precise use of language in the UAA. Words such as "should" or "may" suggest flexibility, while "shall" or "must" indicate mandatory obligations. We have carefully considered these semantics in our understanding and application of the UAA.

By aligning our actions with the UAA's guidelines and respecting the historical context of the language in Appendix B, we ensure the legislation we propose adequately safeguards public interest, fosters workforce development, and ensures our CPAs remain competitive and compliant across multiple jurisdictions.

Existing Laws

In addition to the UAA, the existing laws in states outside of South Carolina hold significant importance for the practice of CPAs in various jurisdictions. At present, all 55 jurisdictions are recognized as substantially equivalent. This implies that the standards for initial licensure in any state are likely to be conceptually acceptable and yield similar outcomes across all jurisdictions.

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The principles of professional mobility and reciprocity have proven successful in this regard, promoting seamless cross-state practice for CPAs. Except for Hawaii, which currently lacks mobility laws, the remaining 54 jurisdictions all enjoy the benefits of professional mobility.

Focus and Alignment with the UAA and Existing State Laws

SCACPA's proposed modifications to our state laws focus on two crucial areas: initial CPA licensure requirements, including education, experience, and exam prerequisites; and amendments enhancing professional mobility and reciprocity. We have compared these proposals against the UAA guidelines and the existing accountancy laws in other states, modifying them as needed to ensure alignment with broader standards. These combined efforts resulted in our confidence that the NASBA NQAS must recognize South Carolina as substantially equivalent, allowing continued professional mobility should these proposed changes be enacted.

Furthermore, we anticipate that other states and jurisdictions would also acknowledge South Carolina's substantial equivalence. Although some states might not honor all initial licensees under specific conditions (like using a full 36 months to pass the CPA exam if their laws only acknowledge 30 months), we believe they would accommodate both mobility and reciprocity following initial licensure in South Carolina. The North Carolina Board of CPA Examiners, through conversations with the NCACPA, has directly confirmed this stance.

Pipeline Population Targeted

Our intention is not to dilute the value or rigor of the CPA license but rather to identify and implement less expensive alternatives for individuals who, with the exception of financial constraints, would otherwise pursue this profession.

We firmly believe in the necessity of maintaining robust thresholds for education, experience, and examination in the process. However, we also acknowledge the data that clearly shows cost as a significant impediment to aspiring CPAs, particularly first-generation college students, single parents, and individuals considering a second career.

By addressing this financial barrier, our aim is to foster a diverse CPA profession, ensuring today’s high standards of competence and ethical conduct associated with the CPA designation are preserved.

Results

Our analysis validates alternative pathways to CPA licensure that are substantially equivalent both exist and can maintain the rigor of the currently promoted pathway, in some cases surpassing it.

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ANALYSIS OF UNIFORM ACCOUNTANCY ACT PREFACE

The eighth edition of the Uniform Accountancy Act (UAA), published in 2018, explains the historical context of legislation and regulation surrounding Certified Public Accountants (CPA). It acknowledges the *"differing requirements for CPA certification, reciprocity, temporary practice, and other aspects of state accountancy legislation"* across the *"55 American licensing jurisdictions"* (pg. UAA-I-2). The UAA underscores the need to remedy these disparities and remove the barriers they create to the effective practice of CPAs under modern conditions.

In this light, the concept of *"substantial equivalency"* and provisions for enhanced *"mobility"* were introduced, aiming to eliminate differences and *"the barriers that they pose to effective practice of CPAs under modern conditions"* (pg. UAA-I-2). Further, mobility and *"enforcement enhancements"* were added *"that can assure stronger and more efficient state board enforcement"* related to cross-border work by CPAs *"in which state lines are often blurred"* (pg. UAA-I-2).

The introduction to the UAA continues by confirming that not only are interstate transactions commonplace with CPAs but that we must have laws in each jurisdiction that do not inhibit that interstate flexibility. Additionally, confirmation is provided that the UAA is intended to be both a replacement law that could be adopted but is also intended to be a set of provisions that can be added to laws instead of an entire replacement.

> *Many of the organizations requiring the professional services of certified public accountants transact business on an interstate, and even on an international, basis; as a result, the practice of CPAs typically extends across state lines, and often international boundaries as well. Thus, there is compelling need for the enactment of uniform state accountancy laws that foster rather than inhibit interstate professional practice and for laws that provide appropriately for international practice.*
>
> *This UAA is provided as a single comprehensive piece of legislation that could be adopted in place of existing state laws. Because there is an accountancy law now in effect in every jurisdiction, however, the UAA is also designed to the extent possible with severable provisions, so that particular parts of this Act could, with appropriate amendments, be added to existing laws instead of replacing such laws entirely. In the interest of uniformity and to promote mobility through the substantial equivalency standard, the AICPA and NASBA strongly urge states to adopt the entire UAA. (pg. UAA-I-2)*

Statements by NASBA and AICPA emphasize the need for all jurisdictions to amend laws to facilitate interstate practice and the importance of adhering to Appendix B to maintain *"substantial equivalency"* with other states and jurisdictions. This is evident from the fact that *"Appendix B sets out guidelines as to the substantial equivalency standard"* (pg. UAA-I-2) and a

statement from Maria L. Caldwell, Esq., Chief Legal Officer and Director of Compliance Services, addressed to Chris Jenkins, CEO of SCACPA, dated May 3, 2023, asserting that "*the guidelines for the substantial equivalency standard are set out in Appendix B of the Uniform Accountancy Act.*"

ANALYSIS OF UNIFORM ACCOUNTANCY ACT INTRODUCTORY COMMENTS

The Uniform Accountancy Act's introductory comments, following the preface, shed light on the *"fundamental principles that should govern the regulation of Certified Public Accountants,"* as mentioned on page UAA-I-3. These principles embody the *"fundamental principles of the AICPA's and NASBA's legislative policies"* (pg. UAA-I-3). Although characterized as "*relatively few,*" there are nine detailed legislative policy principles of the AICPA and NASBA listed on pages UAA-I-3 to UAA-I-6 and summarized as follows:

1. Statutory regulation of CPAs is justified only by considerations of the public interest
2. Appropriately designed regulation of CPA's serves to protect the public welfare in two principal ways: a) providing a reasonable assurance of competence, and b) preventing deception of the public regarding the level of competence reasonably expected of a given CPA
3. The service affected by considerations of confidence more than any other is the attest function
4. To show such competence for reserved services should be employed by two means: a) licensure requirements to perform such services, and b) meet demonstration of knowledge through examination, education, and experience requirements
5. Disallow persons not meeting requirements and obtaining licensure from representing to the public they have done so
6. To meet principle 2, regulate the conduct of licensees
7. To meet principle 2, require the maintenance of competence through ongoing continuing education
8. To the maximum extent feasible, there be uniformity among jurisdictions
9. Enhance the mobility for individual CPAs and CPA firms, which remains essential

The ninth and last principle is the most critical for today's discussions surrounding potential legislative changes around the country with respect to licensing CPAs. Below is the full text of the ninth principle, followed by an analysis:

> *Ninth, and finally, it is essential that mobility for individual CPAs and CPA Firms be enhanced. With respect to the goal of portability of the CPA title and mobility of CPAs across state lines, the cornerstone of the approach recommended by this Act is the standard of "substantial equivalency" set out in Section 23. Under substantial equivalency, a CPA's ability to obtain reciprocity is simplified, and they have the privilege to practice in another state without the need to obtain an additional license in that state*

> *unless it is where their principal place of business is located, as determined by the licensee. Individuals are not denied reciprocity or practice privileges because of minor or immaterial differences in the requirements for CPA certification from state-to-state.*
>
> *Substantial equivalency is a determination by a Board of Accountancy, or NASBA, that the education, examination and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed, the education, examination and experience requirements contained in the Uniform Accountancy Act. If the state of licensure does not meet the substantial equivalency standard, individual CPAs may demonstrate that they personally have education, examination and experience qualifications that are comparable to or exceed those in the Uniform Accountancy Act. (pg. UAA-I-6)*

So first, the *"cornerstone"* of mobility is the standard of *"substantial equivalency set out in Section 23,"* noting that Appendix B is foundational for the creation of Section 23. Furthermore, *"Individuals are not denied … practice privileges because of minor or immaterial differences in the requirements for CPA certification from state-to-state."* Thus, the first paragraph of this principle is clear that the AICPA and NASBA believed that states would not have exactly the same law, and so differences, at some level, are acceptable for CPAs to be considered the same state-to-state.

The second section clearly puts the determination of substantial equivalency in the hands of *"a Board of Accountancy, or NASBA"* to ensure *"that the education, examination, and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed,"* the same in the Uniform Accountancy Act. Thus, the AICPA and NASBA clearly intended for the state Boards of Accountancy to be in control of the determination that laws were *"comparable."*

The May 3, 2023, letter from Maria L. Caldwell, Esq., Chief Legal Officer and Director of Compliance Services, to Chris Jenkins, CEO of SCACPA, states:

> *The draft legislation potentially creates a new path to licensure that, while determined by the Board or a judge to be 'comparable' or 'analogous' to South Carolina's initial CPA license qualifications, would not necessarily meet the definition of substantial equivalency and, therefore, provide grounds for (i) other states to determine that South Carolina is not a substantially equivalent jurisdiction or (ii) NASBA's National Qualification Appraisal Service to list South Carolina as not being a substantially equivalent state, or with an asterisk as having a non-SE pathway on the NASBA National Qualification Appraisal Services Substantial Equivalency chart (pg. 2).*

Proposed updates to South Carolina statute 40-2-35(C)(2) prompted this response. The initial proposed changes did not create a new path to licensure. Rather modifications to section (C)(2)

clarify that the board may accept any *"courses, certificates, apprenticeship, experience or other educational programs"* they determine to be comparable to the initial licensure. This pathway currently exists within South Carolina statutes, and NASBA NQAS has already determined that South Carolina is substantially equivalent, including this current pathway. Thus, adding this clarifying language is in direct alignment with the introductory comments of the UAA, and Ms. Caldwell's comments directly contradict the introductory comments of the UAA.

ANALYSIS OF APPENDIX B OF THE UAA – SUBSTANTIAL EQUIVALENCY

Appendix B is included as one of only two appendices of the UAA, the first being the AICPA/NASBA Statement on Standards for Continuing Professional Education Programs. Thus, the importance of this appendix cannot be overstated. The introduction to Appendix B clearly states that the purpose is to "*set out guidelines with regard to the substantial equivalency standard that will be administered by the NASBA Qualification Appraisal Service"* (pg. Appendix B-1).

The introduction continues by giving some basic principles surrounding substantial equivalency. These principles align with the Preface and Introductory Comments in the UAA. For example, *"In determining whether there is substantial equivalency, the keynote is flexibility"* (pg. Appendix B-1). Further, the concept leaves no doubt that exact verbiage quoting the UAA is not the point, further indicating that the UAA is a single suggestion for a solution and that other adequate solutions exist. However, the comparison is to the UAA language, as Appendix B states, *"The criteria are whether the broad outlines and concepts in this Act have been satisfied rather than a 'checkmark' approach that examines whether the state's law includes all of the detailed provisions in the UAA"* (pg. Appendix B-1).

Even more importantly, Appendix B language says this flexibility is paramount over all specific language because *"any other approach would not carry out the intention of the historic agreement reached by the AICPA and NASBA with regard to the substantial equivalency standard"* (pg. Appendix B-1). Moreover, *"the goal is to promote mobility for qualified CPAs"* (pg. Appendix B-1). Parsing that phrase, we see the terms *"promote"* and *"qualified."* This indicates CPAs that obtain their license using equivalent guidelines in the UAA are considered equally qualified as other CPAs, and state laws should use mobility provisions to allow seamless work between jurisdictions for those CPAs.

Appendix B also provides a level of predictability from NASBA's NQAS in that any state or jurisdiction that has a path or paths for initial licensure that are equivalent will be noted by the NQAS as substantially equivalent. This predictability allows jurisdictions to create laws without fear of harming the mobility of their CPAs. However, the concept in Appendix B also shows NASBA's NQAS has no state-based or federally granted authority. The service is simply to provide a list of states that are substantially equivalent. Thus, because all states are substantially equivalent at the time of this writing, any state law for initial licensure can be

repeated in another state without fear of reprisal from the NQAS. State law analysis is completed in the next section.

Subpart A. Substantially Equivalent States

Criteria are provided in subpart A of Appendix B that further enhance the predictability about whether a state's laws will enable them to be substantially equivalent. The criteria defined in Appendix B *"includes"* the following (pg. Appendix B-1):

- *Good character*
- *Completion of 150-hour education requirement*
- *Passage of the Uniform CPA Examination*
- *Compliance with a one-year general experience requirement*

Given that the UAA is now in its eighth edition, the specific wording chosen holds significant weight. Although the UAA's proposed model language prescribes an education requirement of 150 *"semester"* hours, it's noteworthy that Appendix B excludes the word *"semester."* Additionally, certain states are legally restricted from using terms like *"good"* or *"moral"* character as a barrier to licensure. This highlights the inherent need included in the UAA for adaptability and flexibility to accommodate various state-specific legal nuances and contexts.

The guidelines for substantial equivalency serve as recommendations rather than strict mandates. There's no directive that insists on adhering precisely to the standards and phrasing of the UAA. Instead, the emphasis is on achieving a level that is *"substantially equivalent."* Several terms can be viewed as synonymous or consistent with *"substantially equivalent,"* which include:

- Closely similar
- Functionally equivalent
- Almost the same
- Largely equivalent
- Approximate match
- Functionally interchangeable

Thus, when evaluating state statutes and regulations pertaining to the foundational criteria for initial licensure, it's essential to recognize and embrace their alignment with the UAA's central pillars – education, examination, and experience. Rather than being identical, the emphasis mandated in Appendix B should be on ensuring these regulations meet the spirit of the UAA, allowing for flexibility and accommodating minor variations that cater to each state's unique needs and context.

OTHER STATES WITH EXISTING STATUTES THAT SHOW UAA FLEXIBILITY

Each state or jurisdiction holds the sovereign authority to draft its own laws, independent of the preferences of other states or external organizations. This principle, often referred to as "state's rights," has led to a diverse tapestry of laws, with all 55 jurisdictions having their own

unique legislation. There isn't a centralized repository available to SCACPA that offers a comprehensive comparison of all 55 jurisdictions' accountancy laws. Considering this, SCACPA undertook an extensive review of specific accountancy laws across the United States by delving into state statutes and regulations. Presented below is a summary of key findings that bolster the rationale for the changes proposed by SCACPA and support the UAA's flexibility.

Mobility Disconnected from Substantial Equivalency

While the UAA does touch upon mobility, it largely refrains from detailing it beyond example regulations, emphasizing only that minor and immaterial differences shouldn't prevent CPAs from practicing in other states. Moreover, there's a potential vulnerability in the UAA's section 23 – Substantial Equivalency. If any of the 55 jurisdictions were to lose their status of substantial equivalency, this could pose a significant public protection issue.

Under section 23(3), only those *"individual licensee[s] of another state exercising the privilege afforded under this section [23]"* consent to the concepts that they agree to be bound by the state's laws in the jurisdiction practice occurred. Meanwhile, the remote board also lacks jurisdiction as the mobility practice falls outside of their regulatory authority. Without effective methods of discipline, the public is no longer protected. This must be fixed for potential future CPAs that are not substantially equivalent. The most effective solution is to remove substantial equivalency from the definition necessary to practice using mobility. Then all CPAs fall under the proper jurisdictional authority based on the clients served.

Alabama is one state that removed the mobility flaw. Alabama state law section 34-1-7 provides the rules for practice privilege for nonresident certified public accountants and appears to be edited as recently as 2009. The law contains only a subpart (a) and (b). Subpart (b) lists the conditions with which a CPA may work using mobility in Alabama, including abiding by Alabama law and being subject to the disciplinary authority of the board and courts of Alabama. Subpart (a) indicates, subject to subpart (b),

> *a person who is licensed as a certified public accountant in another state whose principal place of business is not in this state shall have all the privileges of a certified public accountant in this state without the need to obtain a certificate or permit under this chapter or to notify or register with the board and may offer or render professional services in this state, whether in person or by mail, telephone, or electronic means, without any notice, fee or other submission under this chapter. (Alabama, Section 34-1-7(a))*

There is no substantial equivalency requirement and no requirement for specific education, examination, or experience. The requirement is that the person be licensed as a CPA in their home state. Furthermore, while not directly connected to mobility, Alabama is a substantially equivalent state, so Alabama enjoys mobility in other jurisdictions.

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North Carolina General Statutes section 93-10(a) has a similar provision. The requirement is that the individual *"holds a valid and unrevoked"* certificate (93-10(a)(1)) or license (93-10(a)(2). However, there is no requirement for substantial equivalency to practice using mobility.

Alaska is another state with flexible mobility standards. Alaska statute Sec. 08.04.420. Practice privileges notes that an *"individual who does not have a license in this state, but who is licensed to practice public accounting in another state and whose principal place of business for the practice of public accounting is in the other state, may"* practice as a CPA in Alaska, if either the requirements for section (1) consisting of education, examination, and experience, are met; or the *"individual's qualifications are substantially equivalent to the requirements"* of section (1). Alaska, therefore, does not tie mobility to a state that is listed as substantially equivalent through NASBA but rather looks at the individual CPA to determine if they meet the Alaska definition of substantially equivalent.

Interestingly, Alaska statute Sec 08.04.075. Substantial equivalency indicates that in all cases, the *"board shall determine"* whether items are substantially equivalent to a national standard or to another standard established by the board. The UAA is not referenced in this Alaska statute.

Thus, while Alaska does not remove substantial equivalency, per se, the board in Alaska will establish substantial equivalency. This allows Alaska the flexibility to indicate that a state is substantially equivalent to Alaska, which NASBA might say is not substantially equivalent.

Experience and Substantial Equivalency

The education component of the CPA licensure process is the area most under debate in national discussions as of this writing. Yet, before analyzing the idea of the education component, some aspects of the experience component should first be reviewed to determine how the states' laws fit with the UAA model laws and the concepts in the UAA. Then, these same concepts can be applied to education, excluding bias of a specific outcome.

In general, we believe other state laws that are effectively the same or more restrictive are substantially equivalent to a home state's law. So, it would be no surprise that many of the states require one year's experience to obtain an initial CPA license. Yet, in state law, there is disparity on what constitutes "one year" because some states calculate hours required for experience, and some states have multiple avenues to reach experience.

Hawaii state statutes Section 466-5 License of certified public accountant allows either two years of experience as defined in Section 466-3 or the *"completion of one thousand five hundred chargeable hours in the performance of audits involving the application of generally accepted accounting principles and auditing standards earned while in public accounting practice."* Interestingly, Hawaii has no definition of experience in Section 466-3. However, 1,500 hours is just under 43 weeks at 35 hours per week (1,500 hours / 35 hours/week = 42.8 weeks).

New York state Education Law, Article 149, Public Accountancy, section 7404(2) indicates that in lieu of the professional requirements in Section 7404(1).2 Education and 7404(1).3 Experience, *"fifteen years in the practice of public accountancy satisfactory to the board may be accepted by the department."* Thus, New York, while not creating an ambiguity of experience terms, allows a second path to licensure that only uses experience and NO education. Note that New York is a substantially equivalent state according to NASBA NQAS.

North Carolina administrative rule, Subchapter 08F Section .0400 Experience requires one year of experience at a minimum of 52 weeks at 30 hours or more of work. This equates to 52 weeks x 30 hours / week = 1,560 hours. In addition, North Carolina General Statutes section 93-12 Board of Certified Public Accountant Examiners allows accounting experience that does not have direct supervision by a CPA. Section 93-12(5)(c) requires experience using one of five different choices. Subsection (1) uses *"One year's experience in the field of accounting under the direct supervision of a certified public accountant who currently holds a valid license in any state or territory of the United States or the District of Columbia."* Section (3) uses *"Four year's of experience in the field of accounting."*

Several important points result from the North Carolina statute. First, substantial equivalency is not required to supervise a CPA candidate. Thus, a non-substantially equivalent CPA may supervise a candidate who then licenses in North Carolina. Second, a path exists for experience in the accounting field, without any direct supervision. Chapter 5 of the UAA suggests the need for one year's experience *"verified by a licensee"* (pg UAA-5-2).

Arkansas Board Rule 16 Experienced Required adds a numerical amount of hours not defined in the Arkansas state statutes. Rule 16(c) requires the 1 year of experience to include "*no fewer than 2,000 hours of performance of services."* This is 25% more hours required than North Carolina or Hawaii.

Thus, differences exist in the experience requirements, and some states focus on audit experience specifically. Because experience is part of the initial licensure process, the fact that all jurisdictions are substantially equivalent indicates that these differences are considered minor. Important to note is that differences arise in both amount and content of experience throughout the jurisdictions. This aligns with the UAA concepts that minor differences do not deny practice and shows that flexibility has two avenues – amount and content.

Examination

In terms of minimum education requirements needed to take the CPA Exam, North Carolina General Statutes section 93-12 Board of Certified Public Accountant Examiners allows under 93-12(5) the board to allow a candidate to take the exam without a Bachelor's degree noting:

> *The Board may, in its discretion, waive the education requirement [for the exam] of any candidate if the Board is satisfied from the result of a special written examination given the candidate by the Board to test the candidate's educational qualifications that the candidate is as well qualified as if the candidate met the education requirements specified above. The Board may provide by regulation for the general scope of such examinations and may obtain such advice and assistance as it deems appropriate to assist it in preparing, administering and grading such special examinations.*

Thus, North Carolina allows an exam to be given in lieu of 120 semester hours of education, which is clearly an additional path to licensure. North Carolina is substantially equivalent according to the NASBA NQAS, showing this path meets the minor differences test.

Education

As noted in the UAA front piece analysis, one of the AICPA and NASBA guiding principles was the allowance of differing state laws and ensuring the individual practice of CPAs could transcend state boundaries even with the differences in state law. Appendix B of the UAA provides four criteria that should function similarly between states.

Thus far, ignoring *"good character,"* which many states have outlawed conditional usage for licensure, the *"minor"* differences that are acceptable include the following:

- A single year of experience consisting of a minimum of 1,500 hours (Hawaii) to 2,000 hours (Arkansas)
- Experience that does not require direct supervision by a CPA (North Carolina)
- Education replacement with 15 years of experience (New York)

Each of these differences come from states that the NASBA NQAS has said are substantially equivalent, meaning the differences are *"minor"* or functionally the same. Thus, this analysis shows that differences of up to 25% of required hours for one year's experience are considered functionally the same. Experience at a ratio of 4:1 when not directly supervised by a CPA is considered functionally the same. Fifteen years of experience instead of 150 hours of education is considered functionally the same.

Because of differences in state laws, not all CPAs that take these existing routes are able to practice with mobility. While the UAA, Section 23(a)(1) does allow any CPA following one of these paths to be mobile, not every state used the exact same language as Section 23(a)(1). The UAA's suggested test for mobility is, first, the state level. If the state is "substantially equivalent," then any CPA from that state can practice with mobility. Thus, the New York CPA that used 15 years of experience for the education component can practice using mobility in any state that accepted the UAA proposal. Some states chose instead to list the education, exam, and experience requirements for a CPA to use mobility. In those cases, the same CPA

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from New York would not be able to practice using mobility in that state. This continues to show the complexity of differing state laws but also the need for flexibility.

The education requirement in Appendix B states 150 hours of education, while the UAA suggests a more stringent requirement of 150 hours of education on a transcript. The 55 jurisdictions require a bachelor's degree with specific accounting courses and business courses to sit for the CPA exam. The list of courses is not universal, but the bachelor's degree and concentrations in accounting course topics and business topics is universal. This is the original requirement prior to the 150-hour requirement. Simple mathematics tells us that once 120 hours as noted on a bachelor's degree, with a transcript showing the accounting and business courses has been obtained, that the additional 30 hours of education can be in any topic and obtained in any manner.

However, the UAA also provides for experience in lieu of education. Section 6 of the UAA covers reciprocity requirements. The comments in this section state:

> *COMMENT: Subsection 6(c)(1) of this section offers a means of providing for reciprocal recognition of licensees of other states who are not eligible under the substantial equivalency standard set out in Section of this Act. Paragraph 6(c)(1)(B) requires a determination that the certificate of the other state has been issued on the basis of education and examination requirements comparable to those of this state, but makes allowance for an experience requirement as a substitute for these. (pg. UAA-6-2)*

Again, this specific language supports the foundation laid out in Appendix B for flexibility.

Functionally equivalent education could consist of undergraduate or graduate-level courses that are not noted on a transcript. It should not need explaining that the difference between a course from a nationally known university that is listed on a transcript and the same course at the same university not listed on a transcript but provided as executive education is equivalent. Furthermore, it should also be evident that obtaining coursework to further accounting or business skills without transcript reporting for the last 30 hours is more beneficial to protecting the public than 30 hours of non-accounting, non-business coursework that appears on a transcript.

Moreover, South Carolina general statute 40-1-640 compels the Board to interpret military education, training, and experience in the manner most beneficial toward fulfilling the qualifications for the desired license, offering another route to licensure. Historically for CPA licensure, both training and experience are equivalent to education.

Other functionally equivalent items to 30 hours of non-accounting and non-business coursework include CPE courses used for license renewal, experiential internships with educational institution oversight, online business programs, seminars, courses designed to help

study for the CPA exam, and other similar types of work. Some state laws allow for their board of accountancy to determine that other items outside of the core detailed requirements are substantially equivalent and acceptable for licensure. South Carolina has such existing laws and is considered substantially equivalent.

Alaska is one state that has a "nebulous" statute regarding education. Alaska state statute AS 08.04.120(a) Education and experience requirements says: "*The education and experience requirements for an applicant are a baccalaureate degree or its equivalent conferred by a college or university acceptable to the board and additional semester hours or post-baccalaureate study so that the total educational program includes at least 150 hours, with an accounting concentration or equivalent as determined by the board by regulation to be appropriate."* The key term here is additional *"post-baccalaureate study"* so that the "total educational program includes at least 150 hours." Alaska is one state that does not use the term 150 *"semester"* hours but specifically removes that descriptor. They also specify an *"educational program,"* which logically includes certificate programs and other programs without transcripts.

CONCLUSION

The UAA, having evolved through eight editions, represents a continually refined standard. While the UAA offers a cohesive model, both its preface and introduction underscore that alternative solutions can coexist. This flexibility is evident in the UAA's design: it can serve as a complete replacement for a state's laws or be adopted in parts, integrating specific sections as needed. Indeed, this modular application has been predominantly embraced across 55 jurisdictions.

The introductory remarks of the UAA set forth guiding principles aimed at ensuring public protection while fostering a population of skilled and educated CPAs. Central to these principles is the *"mobility enhancement"* concept, underscoring the importance of transcending *"minor"* discrepancies between jurisdictions. This adaptability and collaboration are vital for the sustained growth and success of the CPA profession.

Appendix B of the UAA explicitly acknowledges that there will be variations in the initial licensure criteria – encompassing education, examination, and experience – across different jurisdictions. However, both AICPA and NASBA have concurred that these differences should not be impediments to achieving substantial equivalency among the jurisdictions.

State laws reveal notable disparities in initial licensure requirements across jurisdictions, yet NASBA's NQAS deems these states as substantially equivalent. Currently, NASBA identifies all 55 accountancy boards as substantially equivalent as of this writing (source: NASBA website). Despite the NASBA website pointing out that CPAs from New York and Ohio following some legacy pathways may not be eligible for mobility privileges in other SE states, the UAA

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contradicts this. According to the UAA, the primary criteria for mobility is that a CPA originating from a substantially equivalent state is inherently deemed substantially equivalent. This means all New York and Ohio CPAs can practice under mobility in any state that adopts the UAA's mobility framework without any exceptions.

South Carolina has proposed several law changes, all of which fit the principles and concepts outlined by the UAA preface, introductory comments, model laws, appendices, and existing state laws.

1. South Carolina is proposing allowing candidates 36 months to pass the CPA exam. While some states may not provide an initial license to a candidate that took more than 30 months (currently supported by NASBA), those state boards have indicated that once the South Carolina candidate has received a license, they will be considered mobile and can receive a reciprocal license.

2. South Carolina is proposing the removal of substantial equivalency from the requirement to practice through mobility. Alabama has a current law with the same removal of substantial equivalency and is essentially the same as the South Carolina proposal. Thus, this is not a new concept in jurisdictional law.

South Carolina also proposed changes to existing statutes that were part of S.812, passed in 2022. Because South Carolina is a substantially equivalent state today, these changes, which do not alter the existing law, but augment it, must also be substantially equivalent.

One such change is to describe certain items that the South Carolina Board of Accountancy can accept as substantially equivalent to the education component of initial licensure. This list includes, for example, a certificate program. The UAA specifically suggests that a state board of accountancy be able to make this determination, and it is in existing South Carolina law. The support in the UAA for flexible education provides adequate direction for the South Carolina Board of Accountancy to accept a certificate program as comparable to the 30 hours necessary for licensure above the hours required for a bachelor’s degree.

While it is possible that a state or states may decide of their own volition that South Carolina CPAs should not be lawfully allowed to practice in their state, the NASBA NQAS should still find South Carolina as substantially equivalent.

Furthermore, the laws being proposed are already in effect in other jurisdictions. Consequently, any shift in perspective resulting from South Carolina's proposed changes would necessitate a corresponding shift regarding states that have already implemented similar laws. We believe the likelihood of such a perspective shift to be minimal.