

LFC Requester:

N.Montano

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov*(Analysis must be uploaded as a PDF)***SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Date Prepared: 3/5/25 *Check all that apply:*
Bill Number: CS/CS/HB296 Original Correction
 Amendment Substitute

Sponsor: Parajon **Agency Name and Code** OSA 308
Short Title: PUBLIC ACCOUNTANT LICENSURE **Number:** _____
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SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

The House Judiciary Committee (HJC) Substitute for Committee Substitute for House Bill 296 (CS/CS/HB296) amends provisions of the 1999 Public Accountancy Act (the Act) to revise education and experience requirements for: sitting for the certified public accountant (CPA) exam, for certification and for reciprocity with other states. CS/CS/HB296 clarifies that *accounting* experience is part of the definition of comparable licensure requirements definition and added a period at the end of the effective date [*emphasis added*].

FISCAL IMPLICATIONS

SIGNIFICANT ISSUES

CS/CS/HB296 refines the term “substantial equivalency” as “comparable licensure requirements”. CS/CS/HB296 defines “accounting experience” as providing service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills as verified by a CPA who meets NM Public Accountancy Board requirements, provided that the experience is gained through employment in government, industry, academia or public practice.

CS/HB296 changes the education requirement for sitting for the exam from:

- A baccalaureate degree or its equivalent from a college or university acceptable to the Accountancy Board, with thirty semester hours in accounting or the equivalent as determined by the Accountancy Board; and
- One hundred fifty semester hours of college education or its equivalent earned at a college or university acceptable to the board;

To:

- A baccalaureate degree or its equivalent plus completion of an additional thirty semester hours of higher education in accounting or business;
- A baccalaureate degree or its equivalent in accounting or business; or
- a master’s degree from a college or university acceptable to the board with a concentration in accounting or business; or

CS/HB296 provides the requirements for certification as:

- A baccalaureate degree or its equivalent from a college or university acceptable to the Accountancy Board, plus completion of an additional thirty semester hours in accounting or business and evidence of at least one year of accounting experience;
- A baccalaureate degree or its equivalent conferred by a college or university acceptable to the Accountancy Board with a concentration in accounting or business and evidence of

- at least two years of accounting experience; or
- a master's degree with a concentration in accounting or business and evidence of at least one year of accounting experience.

CS/CS/HB296 extends the timeframe to pass the CPA exam by allowing credit for any exam section passed to remain valid for 30 (changed from 18) months.

CS/CS/HB296 also extends the timeframe that applicants have to pass all four sections of the exam to 30 (changed from 18) months.

CS/CS/HB296 gives the Accountancy Board the power to grant an individual holding a valid license or permit in good standing from another state to perform or offer to perform services in New Mexico, without notice to the Accountancy Board, provided the individual at the time of licensure was required to provide evidence of successfully completing a qualifying exam that meets with comparable licensure requirements. CS/CS/HB296 also allows the Accountancy Board to issue a certificate to a holder of a foreign designation with comparable licensure requirements.

CS/CS/HB296 allows a firm not having an office in-state to offer to or render services without a permit if the services are rendered through a person who holds a valid license or permit in good standing as a CPA or equivalent issued by another US jurisdiction and consents to the disciplinary power of the Board.

PERFORMANCE IMPLICATIONS

The provisions of CS/CS/HB296 remove the long standing 150 credit hour requirement that many other states have also adopted based upon previous iterations for nationwide requirements. Taken together, the provisions removing the 150 credit hours to sit for the CPA while adjusting the reciprocity sections in law (Section 7 of .230866.1, pages 26-29) would effectively mean that most CPA's licensed in other states (with the 150 credit hour requirement still in place) would have their out-of-state CPA recognized in New Mexico while NM licensed CPA's may not have their license recognized in other states if they do not meet the 150 credit hour requirement.

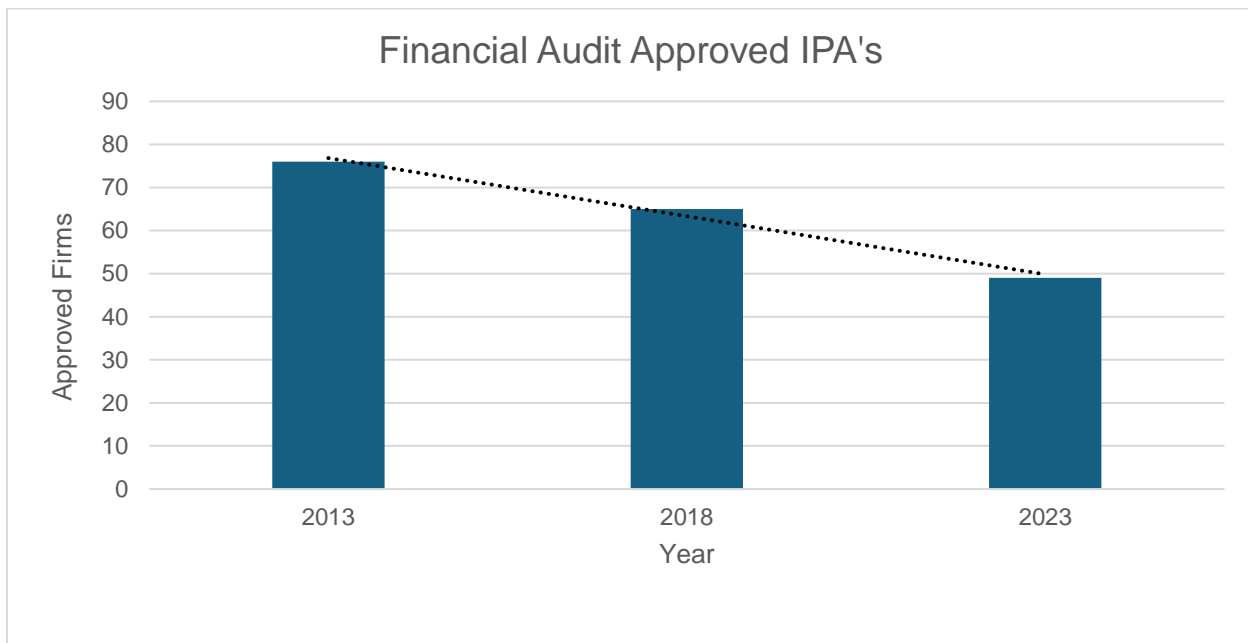
ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

Nationwide the number of CPA's and students entering the workforce with an accounting degree are decreasing. The OSA sees this trend most directly in the number of approved independent public accountants (IPA's) it approves for state government financial audits yearly decreasing. In 2013 OSA had 76 approved firms to perform financial audits for the state – in 2023 that number was 49 and we are estimating about 45 for 2025.



The reasons for the decrease in available accountants are multivariate. There are generational impacts; as many of the members of the baby boom generation retire, there are not new accountants entering the industry as younger members of the millennial generation and members of Generation Z do not find the industry as attractive as other employment options. Like other industries, wages for accountants have stagnated and the rigor of tests for certification remain high. Additionally, the industry is experiencing rapidly increasing complexity and breadth in accounting statements requiring greater and greater amounts of professional development and study for certification. Most other states' CPA requirements include 150 credit hours and this amounts to an extra year of higher education at a time when higher education affordability is a detriment to students. Additionally, many accounting firms that are sole proprietorships are exiting the profession or are selling their businesses to medium-sized firms resulting in further contraction within the industry. All these impacts mean a smaller, more concentrated pool of professionals available for a workload that remains fixed.

ALTERNATIVES

Among the possible solutions to address the accounting shortage – decreasing or removing the 150 credit hour requirement as envisioned by CS/CS/HB296 has been the subject of nationwide discussions. Additionally, expanding the window to complete the examination from the 18 month window (like CS/CS/HB296 envisions moving to a 30 month window) is also a discussion nationwide to address the accountant shortage.

Other discussions include:

- identifying accounting as a STEM subject;
- identification of and support for expanded state and federal funding for expanded K-12 and higher education in accounting and auditing;
- creation and integration of a STEM-based accounting curriculum for grades K-12;
- exploring the creation of internships, scholarships and training programs to attract and prepare accounting professionals;

- new experiential licensure models that build competencies in accounting, auditing, tax and technology;
- use of 529 education savings plan to increase access to accounting education benefits and professional certifications;
- increasing accounting education outreach to under-represented students, including students in rural and frontier areas; and
- expanding the higher education subsidizing and financing accounting education.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS