

# PRACTICE PRIVILEGE HANDBOOK



**CALIFORNIA BOARD OF ACCOUNTANCY  
PRACTICE PRIVILEGE UNIT**

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## TABLE OF CONTENTS

<b>CALIFORNIA BOARD OF ACCOUNTANCY .....</b>	<b>1</b>
Mission .....	1
Vision.....	1
Authority .....	1
CBA Responsibilities .....	1
<b>CALIFORNIA PRACTICE PRIVILEGE INFORMATION.....</b>	<b>2</b>
Required Qualifications.....	2
California CPA Licensure Applicant.....	2
Substantially Equivalent States .....	3
Pre-Notification of Intent to Practice Public Accountancy .....	3
Cessation Events.....	4
Reporting of Pending Criminal Charges.....	5
Authorization to Sign Attest Reports.....	5
Practice Activities Requiring an Accounting Firm Registration .....	5
Out-of-State Accounting Firms .....	6
Temporary and Incidental Practice .....	6
Exception for Certain Tax Preparers .....	7
<b>CBA JURISDICTION AND AUTHORITY.....</b>	<b>7</b>
Administrative Suspension of a California Practice Privilege.....	7
Address of Record.....	7
Response to CBA Requests .....	8

## CALIFORNIA BOARD OF ACCOUNTANCY

### **Mission**

The mission of the California Board of Accountancy (CBA) is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

### **Vision**

The vision of the CBA is that all consumers are well informed and receive quality accounting services from licensees they can trust.

### **Authority**

The CBA derives its authority from Business and Professions Code (BPC), Division 3, Chapter 1, Article 1 through Article 10 and Title 16 California Code of Regulations, Division 1, Article 1 through Article 13 (CBA Regulations). The Accountancy Act and CBA Regulations are available on the CBA website at [www.cba.ca.gov](http://www.cba.ca.gov).

### **CBA Responsibilities**

From its inception in 1901, the CBA has, by statute, been charged with regulating the practice of accountancy. The original law prohibited anyone from falsely claiming to be a certified public accountant, a mandate which exists today. By authority of the California Accountancy Act, the CBA:

- Ensures that only candidates who meet certain qualifications are allowed to take the national Uniform Certified Public Accountant (CPA) Examination.
- Certifies, licenses, and renews licenses of individual CPAs and Public Accountants (PA).
- Registers accountancy partnerships and accountancy corporations.
- Takes disciplinary action against licensees for violation of the Accountancy Act and CBA Regulations.
- Monitors compliance with continuing education and peer review requirements.
- Reviews work products of CPAs, PAs, and accountancy firms to ensure adherence to professional standards.

The CBA website, [www.cba.ca.gov](http://www.cba.ca.gov), contains valuable information for licensees, practice privilege holders, examination candidates, licensure applicants, and consumers regarding CBA meetings, forms, enforcement matters, as well as the CBA publication UPDATE.

## CALIFORNIA PRACTICE PRIVILEGE INFORMATION

On September 20, 2012, Governor Brown signed Senate Bill (SB) 1405 (Chapter 411, Statutes of 2012), California's "mobility law."

The CBA developed regulations, processes, procedures, and forms to facilitate a smooth transition to the new practice privilege requirements that took effect on July 1, 2013. The CBA regulations, including the practice privilege regulations, are available under [Laws and Rules](#) on the CBA website.

### Required Qualifications

If your principal place of business is located outside California and you hold a valid and current license, certificate, or permit to practice public accountancy from another state, you may qualify to practice public accountancy in California under a practice privilege provided one of the following conditions is met:

- You have continually practiced public accountancy as a CPA under a valid license issued by any state for at least four of the last 10 years.
- You hold a valid license, certificate, or permit to practice public accountancy from a state determined by the CBA to be substantially equivalent to the licensure qualifications in California under BPC section 5093.
- You possess education, examination, and experience qualifications which have been determined by the CBA to be substantially equivalent to the licensure qualifications in California.

The CBA will accept individual qualification evaluations of substantial equivalency completed by the National Association of State Boards of Accountancy's (NASBA) CredentialNet, as outlined in Section 5.5 of the CBA practice privilege regulations. Information regarding CredentialNet can be found on NASBA's website at [www.nasba.org](http://www.nasba.org).

Those who qualify under these provisions are entitled to use the title "certified public accountant" or the abbreviation "C.P.A." when practicing in California.

### California CPA Licensure Applicant

If you have a pending application for CPA licensure in California and you otherwise qualify for a California practice privilege, you are not disqualified from a California practice privilege during the period your licensure application is pending as a result of maintaining an office or a principal place of business in this state.

### **Substantially Equivalent States**

As outlined in CBA Regulation Section 5.5, the CBA has identified the following states as having CPA licensure requirements substantially equivalent to California's qualifications when issuing a CPA license to practice public accountancy:

Alabama*	Kentucky	North Dakota
Alaska	Louisiana	Ohio
Arizona	Maine	Oklahoma*
Arkansas	Maryland	Oregon
Colorado	Massachusetts	Pennsylvania
Connecticut*	Michigan	Puerto Rico
Delaware	Minnesota	Rhode Island
District of Columbia	Mississippi	South Carolina
Florida	Missouri	South Dakota
Georgia	Montana*	Tennessee
Guam	Nebraska*	Texas
Hawaii*	Nevada	Utah
Idaho	New Hampshire	Vermont
Illinois	New Jersey	Virginia
Indiana	New Mexico	Washington
Iowa	New York	West Virginia
Kansas*	North Carolina	Wisconsin
Commonwealth of the Northern Mariana Islands	Wyoming	

\* These states are two-tier. A certificate is initially obtained which does not allow the individual full privileges as a CPA. After additional requirements are met, the certificate holder may receive a license or permit. Only those CPAs holding an active license or permit are considered substantially equivalent.

### **Pre-Notification of Intent to Practice Public Accountancy**

You are required to notify and receive written permission from the CBA prior to practicing public accountancy in California if, within the seven years immediately preceding the date on which you wish to practice in this state, any of the below criteria apply (as outlined in Section 5096(i) of the BPC):

- You have been the subject of any final disciplinary action by the licensing or disciplinary authority of any other jurisdiction with respect to any professional license or have any charges of professional misconduct pending against you in any other jurisdiction.
- You have had your license in another jurisdiction reinstated after a suspension or revocation of the license.

- You have been denied issuance or renewal of a professional license or certificate in any other jurisdiction for any reason other than an inadvertent administrative error.
- You have been convicted of a crime or are subject to pending criminal charges in any jurisdiction other than a minor traffic violation.
- You have otherwise acquired a disqualifying condition as described in subdivision (a) of BPC section 5096.2.

If any of the above-listed condition(s) apply you must submit a completed notification form and await written permission from the CBA prior to engaging in the practice of public accountancy in California.

Failure to submit the notification form and await approval from the CBA to practice is grounds for discipline as if the practice privilege were a CPA license and you were a California licensee. Additionally, you will be prohibited from practicing in California for a minimum of one year. If the CBA determines that the failure to submit the notification form was intentional, the practice privilege will be revoked and reinstatement will not be possible for a minimum of two years.

The [Pre-notification Form](#) is available on the CBA website or by contacting the CBA Practice Privilege Unit by email at [pracprivinfo@cba.ca.gov](mailto:pracprivinfo@cba.ca.gov) or by telephone at (916) 561-1704. The practice privilege regulations are available under [Laws and Rules](#) on the CBA website.

### **Cessation Events**

If you exercise a practice privilege and subsequently acquire any one of the below events you must cease practicing immediately and notify the CBA in writing within 15 days of the occurrence of the cessation event using the “Notification of Cessation of Practice Privilege Form” (PP-11(1/13)).

- The regulatory agency in the state in which your certificate, license, or permit was issued takes disciplinary action resulting in the suspension or revocation, including stayed suspension, stayed revocation, or probation of your certificate, license, or permit, or takes other disciplinary action against your certificate, license, or permit that arises from any of the following:
  - Gross negligence, recklessness, or intentional wrongdoing relating to the practice of public accountancy;
  - Fraud or misappropriation of funds;
  - Preparation, publication, or dissemination of false, fraudulent, or materially incomplete or misleading financial statements, reports, or information.
- You are convicted in any jurisdiction of any crime involving dishonesty, including, but not limited to, embezzlement, theft, misappropriation of funds or property, or obtaining money, property, or other valuable consideration by fraudulent means or false pretenses.

- The United States Securities and Exchange Commission or the Public Company Accounting Oversight Board bars you from practicing before them.
- Any governmental body or agency suspends your right to practice before the body or agency.

The [Notification of Cessation](#) form is available on the CBA website or by contacting the CBA Practice Privilege Unit by email at [pracprivinfo@cba.ca.gov](mailto:pracprivinfo@cba.ca.gov) or by telephone at (916) 561-1704. The practice privilege regulations are available under [Laws and Rules](#) on the CBA website.

### **Reporting of Pending Criminal Charges**

If you are exercising a practice privilege in California, you are required to notify the CBA on the [Practice Privilege Notification of Pending Criminal Charges Form](#) of any pending criminal charges, other than for a minor traffic violation, within 30 days of the date you have knowledge of those charges.

The [Notification of Pending Criminal Charges](#) form is available on the CBA website or by contacting the CBA Practice Privilege Unit by email at [pracprivinfo@cba.ca.gov](mailto:pracprivinfo@cba.ca.gov) or by telephone at (916) 561-1704. The practice privilege regulations are available under [Laws and Rules](#) on the CBA website.

### **Authorization to Sign Attest Reports**

To be authorized to sign reports on attest engagements, you must have a minimum of 500 hours of qualifying attest experience. Pursuant to Section 5095 of the BPC, all attest experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall have been completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy and provide attest services. Experience in private or governmental accounting or auditing shall have been completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy and perform attest services.

Please note that you may still participate in attest engagements even though you do not have the authority to sign attest reports.

### **Practice Activities Requiring an Accounting Firm Registration**

If you intend on providing any of the services outlined below for an entity headquartered in California, you may only do so through an accounting firm registered with the CBA.

- An audit or review of a financial statement for an entity headquartered in California.
- A compilation of a financial statement when that person expects, or reasonably might expect, that a third party will use the financial statement and the compilation report does not disclose a lack of independence for an entity headquartered in California.



- An examination of prospective financial information for an entity headquartered in California.

### **Out-of-State Accounting Firms**

An accounting firm that is authorized to practice public accountancy in another state and that does not have an office in this state must register with the CBA prior to performing the below services for an entity headquartered in California.

- An audit or review of a financial statement.
- A compilation of a financial statement when that person expects, or reasonably might expect, that a third party will use the financial statement and the compilation report does not disclose a lack of independence.
- An examination of prospective financial information.

Additionally, an individual who qualifies to practice public accountancy in California under a practice privilege may perform the above-listed services only through an accounting firm registered with the CBA.

To qualify for a registration the out-of-state accounting firm cannot have an office located in California, the CPAs providing services in California must qualify for a practice privilege, and the firm must satisfy all other requirements to register in California, other than its form of legal organization. The out-of-state accounting firm registration must be renewed every two years in order for the out-of-state accounting firm to maintain practice rights in California. The out-of-state accounting firm must also notify the CBA of any change of address or change in ownership within 30 days of the change.

To register an out-of-state accounting firm, an applicant must first complete the [Out-of-State Accounting Firm Registration](#) form, which is available on the CBA website or by contacting the CBA Practice Privilege Unit by email at [pracprivinfo@cba.ca.gov](mailto:pracprivinfo@cba.ca.gov) or by telephone at (916) 561-1704. The practice privilege regulations are available under [Laws and Rules](#) on the CBA website.

### **Temporary and Incidental Practice**

If you hold a valid and current license, certificate, or permit to practice public accountancy from another state you are exempt from the practice privilege requirements if **all** of the following conditions are satisfied:

- Your client is located in another state.
- Your engagement with the client relates to work product to be delivered in another state.
- You do not solicit California clients or have your principal place of business in this state.
- You do not assert or imply that you are licensed to practice public accountancy in California.

- Your practice of public accountancy in this state on behalf of the client located in another state is of a limited duration not extending beyond the period required to service the engagement for the client located in another state.
- Your practice of public accountancy in this state specifically relates to servicing the engagement for the client located in another state.

### **Exception for Certain Tax Preparers**

An individual or firm holding a valid and current license, certificate, or permit to practice public accountancy from another state may prepare tax returns for natural persons who are California residents or estate tax returns for the estates of natural persons who were clients at the time of death without obtaining a California practice privilege provided that the individual or firm does not physically enter California to practice public accountancy pursuant to Section 5051 of the BPC, does not solicit California clients, and does not assert or imply that the individual or firm is licensed or registered to practice public accountancy in California.

## **CBA JURISDICTION AND AUTHORITY**

Out-of-state accounting firms registered with the CBA and out-of-state CPAs practicing public accountancy in California under a practice privilege are subject to the personal and subject matter jurisdiction and disciplinary authority of the CBA and shall comply with the laws, regulations, and professional standards applicable to the practice of public accountancy in California.

### **Administrative Suspension of a California Practice Privilege**

Pursuant to Section 5096.4 of the BPC, the right to practice public accountancy in California under a practice privilege may be administratively suspended at any time by an order issued by the CBA or its Executive Officer without prior notice or hearing. The purpose of an administrative suspension is to conduct a disciplinary investigation, proceeding, or inquiry concerning the individual's competence or qualifications to practice public accountancy in California under a practice privilege or the individual's failure to respond timely to a CBA inquiry or request for information or documents.

### **Address of Record**

As most out-of-state CPAs are not required to notify the CBA prior to engaging in the practice of public accountancy under a practice privilege, the CBA may not maintain an address of record for every out-of-state CPA practicing in California. Pursuant to Section 5096(e)(4) of the BPC, an individual practicing under a practice privilege is deemed to have appointed the regulatory agency of the state that issued the individual's certificate, license, or permit upon which substantial equivalency is based as the individual's agent on whom notices, subpoenas, or other process may be served in any action or proceeding by the CBA against the individual.

**Response to CBA Requests**

Out-of-state accounting firms registered with the CBA and out-of-state CPAs practicing public accountancy in California under a practice privilege must respond to any CBA inquiry or request for information or documents and provide to the CBA the identified information and documents in a timely manner. In addition to any other applicable sanctions, failure to comply with the obligation to respond to a CBA inquiry pursuant to Section 5096(e)(5) of the BPC could result in an administrative suspension of the California practice privilege.