

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

SPONSOR	House Judiciary Committee	LAST UPDATED	
		ORIGINAL DATE	3/6/2025
SHORT TITLE	Public Accountant Licensure Requirements	BILL	CS/CS/House Bill
		NUMBER	296/HCEDCS/HJC
			S
		ANALYST	Montano

REVENUE*

(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Renewal Fees	No fiscal impact	(\$138.1)	(\$138.1)	(\$138.1)	(\$138.1)	Recurring	Public Accountancy Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
RLD	No fiscal impact	\$50.0	No fiscal impact	\$50.0	Nonrecurring	Public Accountancy Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Regulation and Licensing Department (RLD)

Office of the State Auditor

Agency Analysis was Solicited but Not Received From

New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of HJC Substitute for House Bill 296

The House Judiciary Committee substitute for House Bill 296 (HB296) makes significant amendments to the 1999 Public Accountancy Act, updating licensing requirements, certification qualifications, and reciprocity provisions for Certified Public Accountants (CPAs) in New Mexico. The bill replaces the previous "substantial equivalency" standard with "comparable licensure requirements," ensuring that out-of-state and foreign CPAs meet or exceed New Mexico's certification criteria.

The bill modifies CPA education and experience requirements by allowing three pathways to certification: (1) a bachelor's degree plus 30 additional semester hours of accounting or business coursework, (2) a bachelor's degree with a concentration in accounting or business, or (3) a master's degree with a concentration in accounting or business. Depending on the educational path, applicants must complete one to two years of accounting experience. Additionally, HB296 extends the CPA exam completion window from 18 months to 30 months, aligning with national standards while introducing provisions for exam extensions due to extenuating circumstances.

For out-of-state CPAs, the bill streamlines reciprocity by allowing individuals licensed in other U.S. jurisdictions to practice in New Mexico without obtaining additional certification if they meet the state's competency requirements. However, it adds stronger oversight provisions, ensuring that nonresident CPAs adhere to New Mexico's regulations and disciplinary authority. Foreign CPAs must meet comparable licensure requirements and pass an ethics exam on New Mexico's laws.

The bill also strengthens firm permit regulations, requiring CPA firms practicing in New Mexico to consent to the jurisdiction of the New Mexico Public Accountancy Board. It enforces peer review compliance deadlines and ensures that firms providing attest services meet professional standards.

Finally, HB296 clarifies enforcement provisions, requiring applicants and firms to disclose past disciplinary actions and suspensions. It grants the New Mexico Public Accountancy Board sole authority to determine the application of licensing provisions.

The bill's effective date is January 1, 2026.

FISCAL IMPLICATIONS

The enactment of HB296 will allow CPAs certified in other states to work in New Mexico without paying a certification fee, which may reduce revenue for the New Mexico Public Accountancy Board (NMPAB). RLD states there are currently 753 out-of-state CPA licensees and 71 permit holders. CPA license renewal fees are \$175 a year and permit renewal fees are \$100, so multiplying the total number of licensees and permit holders by the respective fee will produce the estimated loss of revenue: \$131 thousand on CPA license renewal fees and \$7,100 on permit renewals, which is an expected loss of \$138.1 thousand in revenue.

RLD expects HB296 to have a direct fiscal impact on its operating budget because the department implements the required changes and updates the NM Plus online licensing system. RLD estimates contracting fees and implementation of the necessary additions to the software will cost \$50 thousand.

SIGNIFICANT ISSUES

RLD states:

The New Mexico Public Accountancy Board is aware of [HJC substitute for HB296] and discussed its implications at the January 7, 2025, meeting. The board endorsed the provisions as written. Overall, the board believes the impact of [HJC296] will be to make it more attractive for applicants to pursue the CPA profession without compromising the

education, examination and experience components of what is needed to be a CPA. It is also consistent with what changes other jurisdictions are making to their laws, rules, and policies. It will allow for CPA mobility so they can practice across different jurisdictions with similar licensure requirements which is also consistent with what other jurisdictions are trying to accomplish.

OSA states:

[The HJC substitute for 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/HB296 also allows the Accountancy Board to issue a certificate to a holder of a foreign designation with comparable licensure requirements.

[The bill] 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 U.S. jurisdiction and consents to the disciplinary power of the Board.

PERFORMANCE IMPLICATIONS

From OSA:

The provisions of 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 New Mexico licensed CPA's may not have their license recognized in other states if they do not meet the 150-credit-hour requirement.

ADMINISTRATIVE IMPLICATIONS

RLD says:

The changes in [the HJC substitute] from the original House Bill 296 make the requirements for out-of-state licensed CPA's and permit holders, who practice here by privilege (without a New Mexico license) more strenuous, keeping with the New Mexico requirements for initial licensure as a CPA. These changes are appreciated by RLD and will help ensure that all CPAs practicing in New Mexico have the same minimum qualifications in education and accounting experience. Further, pushing out the effective date from June 20, 2025, to January 1, 2026, will give RLD time to make sure the statute can be fully implemented with the new licensing path and rule changes required

NMAG states:

The Committee Substitute for HB296 would still likely require the New Mexico Public Accountancy Board to update its rules. The [NMAG] provides counsel to the board and would need to review the proposed rule changes and may need to advise the board on the

rulemaking process and defend the rulemaking should there be any challenges. HB296's proposed changes in education requirements and applicability to other jurisdictions may require additional resources of the [NMAG] to prosecute and defend on behalf of the state for licensing matters that may arise. Additional proposed language in the Committee Substitute HB296 changes requiring out of state applicants to meet educational requirements would likely increase the number of licensed individuals in the State and require additional resources of the [NMAG] to prosecute and defend on behalf of the State.

OTHER SUBSTANTIVE ISSUES

OSA says:

Nationwide the number of CPA's and students entering the workforce with an accounting degree is decreasing. 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.

OSA notes national discussions on addressing the accountant shortage have included conversations about decreasing or removing the 150-credit-hour requirement and the 18-month examination window. Other discussions include:

- Identifying accounting as a STEM subject;
- Supporting expanded state and federal funding for K-12 and higher education in accounting and auditing;
- Creating and integrating a STEM-based accounting curriculum for grades K-12;
- Developing internships, scholarships, and training programs to attract and prepare accounting professionals;
- Implementing new experiential licensure models that build competencies in accounting, auditing, tax, and technology;
- Promoting the use of 529 education savings plans to increase access to accounting education benefits and professional certifications;
- Increasing outreach to underrepresented students, including those in rural and frontier areas, for accounting education;
- Expanding higher education subsidies and financing for accounting programs.

NM/rl/hg