

Substantial Equivalency FAQ

What does mobility mean when referring to the CPA profession?

Mobility refers to the ability of CPAs in good standing to seamlessly provide services to clients across state lines without the need to obtain an additional license in the state where they will be providing those services. Under mobility, CPAs can temporarily practice either in-person or virtually if they are deemed to be substantially equivalent to CPAs already practicing in that state. This generally means the CPA has attained 150 hours of education, has passed the Uniform CPA Exam, and has at least one year of experience. In exchange for this practice privilege, CPAs are subject to both the oversight of the state boards of accountancy in their home state and any temporary practice state. Within the CPA profession, this set of criteria is referred to as “no notice, no fee, no escape.”

Prior to the advent of mobility, CPAs were required to obtain a reciprocal license or a temporary permit to practice in another state. This patchwork of differing state licensing requirements constituted an artificial barrier to interstate practice and resulted in compliance challenges for licensees. In the late 1990s, the CPA profession endorsed a uniform system of mobility that allowed CPAs to practice across state lines and ensured the protection of the public. To date, 49 states, Puerto Rico, the District of Columbia, the U.S. Virgin Islands and Guam have adopted the mobility framework.

What is substantial equivalency?

Substantial equivalency serves as the foundation of the mobility framework. Substantial equivalency is a determination by a state board of accountancy or its designee that another state’s requirements (education, examination, and experience) for CPA licensure are equivalent to its own. Moreover, in certain states, a board of accountancy may be permitted, based on its laws or rules, to recognize an individual practitioner as substantially equivalent even if that practitioner’s home state is no longer substantially equivalent. However, this individual-level substantial equivalency runs counter to the mobility framework as the practitioner would need to provide some type of notice to the board of accountancy in the state in which they wish to practice regardless of if that practice is in-person or virtual.

Who determines substantial equivalency?

Substantial equivalency is established in the Uniform Accountancy Act, a model accountancy law developed jointly by the AICPA and the National Association of State Boards of Accountancy (NASBA). Substantial equivalency includes the completion of the 150-hour education requirement, passage of the Uniform CPA examination, and completion of a one-year experience requirement.

Processes for determining substantial equivalency vary by state and are established in either statute or rule. As a result of how state boards of accountancy choose to protect the public and regulate the profession within a respective jurisdiction, multiple state-specific variations exist. A jurisdiction may automatically grant practice privileges to a practitioner if the practitioner holds a license in good standing from another jurisdiction. Other jurisdictions may statutorily require the practitioner's home state to have adopted the 150-hour education standard. These jurisdictions may also require a determination by the National Qualification Appraisal Service (NQAS) to ensure the other jurisdiction is substantially equivalent. Additionally, determination authority may be granted to the board of accountancy or its designee.

Why are there multiple approaches to determining substantial equivalency?

Multiple approaches to determining substantial equivalency exist due to the uniqueness of state-level policy making. Despite these variations, mobility for CPAs is working for both practitioners and the clients which they serve and is a practice benefit very few professions provide.

When does a CPA need a reciprocal license?

A reciprocal license may be required for a variety of reasons. A jurisdiction may require a CPA to obtain a reciprocal license to perform a service related to a particular industry. If an individual CPA relocates to a new jurisdiction, then a reciprocal license may be required in that jurisdiction. Additionally, individuals seeking practice privileges in a jurisdiction outside of their principal place of business, who come from a state that has not enacted a uniform mobility provision, may be required to obtain a reciprocal license. Ultimately, practitioners should consult a board of accountancy to determine if they need to apply for a reciprocal license.

Are mobility and a reciprocal license the same?

Mobility and a reciprocal license are not the same. Reciprocal licensure requires a practitioner to apply for a license and pay a fee in a state other than their home state. Mobility does not require a practitioner to provide notice or pay a licensing fee. It is equivalent to having a driver's license and driving from state to state without the need to stop at the border. Under both frameworks, the practitioner consents to the jurisdiction of the state board of accountancy.

How would modifying licensing criteria impact mobility?

Even though there are state-specific approaches to determining substantial equivalency, all jurisdictions except for Hawaii and the Commonwealth of the Northern Mariana Islands grant mobility. If a jurisdiction were to modify its criteria for licensure, there would be loss to mobility and a level of unpredictability in the regulation of the CPA profession. The process to reestablish the mobility framework that currently exists today would take considerable time and engagement, in both the regulatory and legislative environments.