What sets CPAs apart from accountants?

In short, it's our middle name. The “P” in CPA stands for “PUBLIC,” and therein lies the difference.

Maryland’s legislature created the CPA designation more than 120 years ago to address the public’s need for reliable financial information. Our free market institutions and participants — from investors to bankers, creditors to tax agencies — use financial information every day. Our economy depends on reliable financial information that can be used to make wise decisions. With that in mind, the state legislature granted special licenses to experts who spoke the language of business and accounting. Those experts, lawmakers decided, would be known as Certified Public Accountants and be required to prove they had the proper training and education to interpret and communicate complex financial information.

Becoming a CPA is not easy. In the world of accounting, only CPAs are required to encompass the four Es:

**EDUCATION.** Maryland CPAs must obtain a bachelor’s degree and 150 credit hours of education and complete 80 hours of CPE every two years to continue to practice in Maryland.

**EXAMINATION.** Maryland CPAs must pass a rigorous exam to earn the CPA designation. A feat that only 20 percent of candidates achieve on their first try.

**ETHICS.** Maryland CPAs must pass an ethics exam to earn the CPA designation and adhere to a strict code of professional ethics; and comply with the requirements of the State Board of Public Accountancy.

**EXPERIENCE.** Maryland CPAs must acquire 2,000 hours of practical work experience for initial licensure.

Why the strict requirements? Again, because of our middle name. Like doctors, lawyers and other regulated professionals, CPAs perform services that impact the public interest. In their role as independent and objective auditors, CPAs provide users of financial statements with a reasonable degree of assurance that the information is presented fairly and in accordance with accounting principles established by the profession. CPAs alone are authorized to perform this critical service; accountants are not. This makes CPAs a vital component in maintaining the public’s confidence in the financial markets.

As the profession has evolved, so have the services CPAs provide. CPAs are no longer simply number crunchers and tax preparers, but business and financial strategists who partner with individuals and businesses to help them reach their goals. Individuals turn to their CPAs for tax and financial planning services, investment advice, estate planning and more. Businesses are tapping CPAs to not only manage finances and taxes, but also to analyze and interpret converging information, help uncover opportunities and serve as a partner in strategic decisions.

In addition to their working in firms and practices, CPAs also serve the public interest as financial advisors inside Maryland companies, governments and non-profit institutions. CPAs work as internal auditors, corporate controllers, CFOs and in other critical functions. They are often at the front lines of the public interest, serving as stewards and preparers of the financial and business information with which investors make their decisions.
MACPA’s Rich History

The Maryland Association of Certified Public Accountants, Inc. (MACPA), is a proactive, professional membership organization serving the majority of CPAs in the state. Its members represent all facets of the profession from public accounting—to private industry, government and education.

MACPA was established in 1901, less than one year after Maryland became the third state in the country to pass legislation requiring the certification of public accountants. MACPA became one of the first state CPA organizations in the country. The MACPA’s founder and first president, Max Teichmann, held the first Maryland-issued CPA certificate and has been credited as the originator of Maryland’s CPA movement. MACPA began with a handful of pioneer members and today has grown to one of the 10 largest CPA organizations in the country with nearly 9,000 members.

Specifically, it provides hundreds of continuing professional education programs for its members each year; monitors and seeks improvements in accounting and auditing standards; provides guidance on professional ethics; administers peer reviews; provides services and information to the public; and advances CPA and business interests in the legislative arena.

In addition, MACPA works with other state CPA societies, the American Institute of CPAs and other business/professional groups to improve the CPA profession and protect the public.

In keeping with the high integrity of the profession, MACPA members have an obligation to maintain high standards of technical competence and comply with a strict code of professional ethics as required in the association’s bylaws. MACPA members must also adhere to the regulations of the Maryland State Board of Public Accountancy, the state licensing body for CPAs and part of the Department of Labor.

MACPA is governed by its Board of Directors, which is officially installed each year on July 1 at the start of the association’s new fiscal year. The Board is comprised of 14 members from practice, industry, government, education and the public sector who are dedicated to serving the diverse needs of MACPA’s membership and providing leadership to the CPA profession in Maryland. The Board includes the Chief Executive Officer, the Chief Operating Officer, four Executive Committee members (chair, chair-elect, secretary/treasurer and past chair) and eight at-large members.
Oppose Sales Tax on Services

The Maryland Association of Certified Public Accountants is a membership organization with nearly 10,000 CPA members. Our members serve thousands of business clients in Maryland. We strongly oppose legislation that would impose sales and use tax on services, because it would have a direct negative impact on the Maryland businesses and consumers.

According to the fiscal note on a previous similar bill, “This bill will have a substantial effect on small businesses that provide or purchase the services on which the sales tax is imposed. Small businesses that purchase these services will either pay more for these services, lowering profits or causing a reallocation of other spending decisions, or will purchase smaller quantities of these services. Small businesses providing these newly taxable services will experience losses in sales for the reasons noted above. The amount of such losses will vary and cannot be reliably estimated at this time.”

The biggest obstacle to implementing a sales tax on professional services relates to the difficulty in administering the tax. This complexity exists for both the State and taxpayers. The multi-state nature of both the customers and the taxpayer in many instances make it difficult to determine where the service takes place. The following example illustrates this complexity:

A CPA travels to several states to provide tax, consulting or other services to a client that does business in several states, including other states the CPA has not visited. The sales tax for Maryland cannot be based on the amount of time the CPA spent in Maryland, because that may be disproportionate to the value of the service the client will actually enjoy in Maryland. It cannot be based on the client’s percentage of business in Maryland versus other states, because that may have nothing to do with the particular service the CPA provided. You can’t base the Maryland sales tax on whether the contract for the service was signed in Maryland, because that may have absolutely nothing to do with where the CPA will do the work or where the client will enjoy the service.

Not only are sales and use taxes a bad idea when applied to the services typically supplied by CPAs, they are also a bad idea when applied to a host of other services for the following reasons:

1. Discrimination against small and emerging businesses. Small firms typically find it necessary to use outside services while larger companies likely have in-house expertise that can provide otherwise taxable services at no cost. Also, a small company whose services may become taxable will have to incur additional costs to establish and maintain collection and reporting mechanisms while larger companies likely have similar mechanisms already in place. Diverting capital into payment of additional taxes and administrative costs limits the growth of small companies.

2. Pyramiding taxes on services and final goods. Taxing services increases the potential for goods and services being taxed several times resulting in higher consumer costs.

3. States with service taxes are at a competitive disadvantage compared to states that do not tax services. Not only does it discourage the use of services, but it discourages companies seeking to relocate or expand.

4. Taxing services will affect those who can least afford it more than those who are well off. Sales tax by its very nature is a regressive tax. The tax rate remains the same no matter what an individual’s income level may be. If more services become taxable a larger portion of disposal income for those on the lower end of the socio-economic ladder will go to satisfy sales tax obligations than that of others who are more well off.

The Maryland Association of CPAs believes a sales tax on services would burden the citizens and businesses of this state unnecessarily with additional taxes. It would negatively impact economic growth and development. We believe this proposal is bad for small business in Maryland and we will work to defeat such legislation if introduced. We note that other states such as Florida, and more recently Michigan, have attempted to tax a broad range of services only to quickly repeal them in part due to the complexity of administration as noted in the above example.
Retain contributory negligence rule: Defeat efforts to legislate comparative negligence

In many of the past several years’ sessions of the General Assembly, trial lawyers have introduced bills designed to replace Maryland’s current system of determining a defendant’s liability with a system that makes recovery against a defendant easier – even when the person bringing the lawsuit substantially contributed to his own injuries. At present, the Maryland courts allow a person sued for negligence or wrongdoing to raise the “contributory negligence” defense, that is, the party sued may claim that the plaintiff contributed to his injury and thus should not be allowed to recover from the defendant. This long-standing rule in Maryland courts prevents a person from shifting his or her responsibility to others.

If an injured party acts, or fails to act, with knowledge and appreciation that such conduct could result in harm and that party then is injured, he or she cannot recover against another for that injury. The defendant bears the burden of proving that the injured party’s conduct contributed to the harm, and this is generally considered by the jury. Because Maryland’s doctrine of contributory negligence allows a jury to take into consideration how an injured party’s conduct contributed to that party’s injury, it permits juries to more fairly evaluate what damages, if any, should be awarded to an injured party who may have contributed to his own injury. This, in turn, results in lower litigation awards and costs.

The contributory negligence standard should be maintained in Maryland and MACPA will work to defeat any change because:

- the contributory negligence standard prevents a flood of suits by plaintiffs who have a disproportionate amount of fault;
- the contributory negligence standard will keep the lid on insurance premium growth rates;
- the contributory negligence standard fosters the exercise of due care by all persons;
- the contributory negligence standard, as a long respected doctrine, enhances the predictability of litigation, including its costs;
- the comparative negligence rule as outlined in prior bills would lead to higher premiums for automobile and homeowners’ insurance;
- prior bills’ comparative negligence rule would lead to higher premiums for businesses’ general liability and product liability insurance; and
- prior bills’ comparative negligence rule would lead to higher premiums for professional liability and errors and omissions insurance.

The increased cost of conducting business and the decreased productivity associated with the comparative negligence standard would, in the long run, lead to a loss of jobs, increased liability and a deterioration of the economic climate in Maryland. MACPA will again work to retain the contributory negligence rule.
Support Proper Budget Funding For the Comptroller’s Office

Among its many functions, the Comptroller’s Office is responsible for collecting tax revenue and enforcing compliance with the state’s tax laws. As the collector of much of the state’s cash, it is logical that the Office be supported with a proper budget for appropriate personnel levels as well as technology resources.

MACPA members recognize the dedication and hard work of the Comptroller’s staff; we also observe the challenges the Office experiences, not only with the ongoing overall labor shortage in the economy, but also with the constraints of competing with the other employment options that current and potential future employees have, which lead to difficulties in retaining and recruiting the proper number and appropriate experience levels of personnel.

The Comptroller’s Office’s personnel and systems have been subjected to great strain in recent years, and all signs point to more of the same. The COVID-19 pandemic added unforeseen responsibilities to a staff that was already stretched very thin. Maryland’s RELIEF Act of 2021 required the Comptroller’s Office to issue and distribute economic impact payments to low-income taxpayers and administer newly enacted exemptions and credits, among other provisions, in addition to the usual tax administration tasks. During the same time frame, there were federal tax changes in addition to the Maryland changes, all of which required the Comptroller’s staff to educate Maryland’s citizens about the new provisions by issuing various communications, create multiple filing forms, and revise IT processes. In addition, personnel had to field thousands of emails and phone calls about the many new issues, on top of the high rate usually experienced during tax filing season. Further federal and Maryland tax law changes in the subsequent years have created a similar environment each year, albeit over different areas of change. Throughout, the agency’s ancient IT system has added to the challenges the staff face in performing the Office’s required functions.

Most recently, the General Assembly enacted legislation mandating that the Comptroller’s Office establish a Legal Division and a process for issuing private letter rulings to taxpayers and practitioners, so that taxpayers have a way of receiving binding answers to their Maryland tax questions. The MACPA applauded this change as a hallmark of good tax administration, and one that will benefit not only the taxpayers but also the state when the taxpayers know the correct tax amounts to pay currently rather than years later after audits or even litigation. However, it is a process that requires specifically trained and highly experienced tax attorneys and CPAs, only some of whom currently work in the Comptroller’s Office.

We support a properly funded budget that will allow the Comptroller’s Office to retain its current team as well as hire additional qualified personnel by offering competitive salary levels, and also allow for a more modern IT system for efficiency of the agency’s tax administration operations.
Cannabis tax: Let good tax policy be your guide

Maryland voters have approved a ballot measure to legalize adult-use of cannabis and lawmakers must now establish a new taxation structure. Once finalized, cannabis businesses throughout the state — including many of the newly established minority- and women-owned startups — will rely on CPAs as their trusted business advisors to provide tax and accounting services in order to remain in compliance.

As potential changes in the tax law are discussed, the implications for tax administration must be considered. Is there adequate time between the enactment and effective dates to modify forms, instructions, publications, and computer software? What will be the costs of making these changes and enforcing the new tax law? Will the number of taxpayers or volume of returns or forms to be processed change? Are the needed systems available or readily adaptable to enable the comptroller’s office to administer and enforce the new provisions?

The Maryland Association of CPAs is a long-time advocate for a tax system based on principles of good tax policy. To help evaluate proposed tax laws related to legalized cannabis, the MACPA strongly encourages lawmakers to refer to the framework of 10 guiding principles of good tax policy, as developed by AICPA:

- **Equity and fairness.** Similarly situated taxpayers should be taxed similarly.
- **Certainty.** Tax rules should clearly specify when and how a tax is to be paid and how the amount will be determined.
- **Convenience of payment.** A tax should be due at a time or in a manner most likely to be convenient to the taxpayer. Convenience helps ensure compliance.
- **Economy of calculation.** The costs to collect a tax should be kept to a minimum for both the government and the taxpayer.
- **Simplicity.** Taxpayers should be able to understand the rules and comply with them correctly and in a cost-efficient manner. A simple tax system better enables taxpayers to understand the tax consequences of their actual and planned transactions, reduces errors and increases respect for and compliance with that system.
- **Neutrality.** The tax law’s effect on a taxpayer’s decision whether or how to carry out a particular transaction should be kept to a minimum.
- **Economic growth and efficiency.** A tax system should not impede productivity but should be aligned with the taxing jurisdiction’s economic goals.
- **Transparency and visibility.** Taxpayers should know that a tax exists, and how and when it is imposed on them and others.
- **Minimum tax gap.** A tax should be structured to minimize noncompliance. The tax gap is the amount of tax owed less the amount collected. To gain an acceptable level of compliance, rules are needed.
- **Appropriate government revenues.** A tax system should enable the government to determine how much tax revenue it likely will collect and when — that is, the system should have some level of predictability and reliability.
CPA COMMUNITY INVOLVEMENT

CPAs are serious professionals, but they’re not all business. Beyond serving their clients and organizations, CPAs commit themselves to the places where they live and work. The profession’s core value of serving the public interest thus extends beyond the marketplace to the everyday needs of local groups, organizations and citizens.

Thousands of Maryland CPAs donate their time and financial expertise by volunteering for:

- boards of religious groups, charities, foundations, schools and other non-profit organizations.
- community service activities, such as providing free tax preparation for the indigent during tax season; answering tax questions from the public; speaking before school, community and business groups; participating in high school and college career fairs; providing scholarships to outstanding accounting students in need of financial assistance; and pitching in at such charities as the Maryland Food Bank and environmental projects.

Through an informal board-matching program established by the MACPA, CPAs are directly linked to non-profit organizations in need of financial and business guidance.

And the MACPA staff does its part, donating toys and clothes to needy children at holiday time; participating in fundraisers; and volunteering its time to religious organizations, schools and other community activities.

For Maryland CPAs, helping out in their communities is serious business.

The association’s mission is to:

- protect and further the interests of its members;
- enhance the image of CPAs; and
- enable its members to conform to high standards of professional service.

The core purpose defines the CPA profession’s reason for being

CPAs…making sense of a changing and complex world.

The core values are the foundation of the CPA Vision. Objectivity, integrity, being attuned to broad business issues, continuing education and lifelong learning, protecting the public … these core values serve as our foundation as the most trusted advisors to business.

The vision statement is the profession speaking to itself about the mandates for a successful future. Core values and core purpose work together to articulate how CPAs can add value to their clients and employers.

CPAs are the trusted professionals who enable people and organizations to shape their future. Combining insight with integrity, CPAs deliver value by:

- communicating the total picture with clarity and objectivity,
- translating complex information into critical knowledge,
- anticipating and creating opportunities, and
- designing pathways that transform vision into reality.

CPAs…making sense of a changing and complex world.
Executive Director, CEO

Rebekah Brown is a CPA who is passionate about the bright future of the accounting profession and in July, 2022 she assumed the role of CEO of the Maryland Association of CPAs (MACPA).

She joined the MACPA team in 2012, and in 2014 was named the organization’s Manager of Membership Development and Engagement. She became Director of Development in 2018 and helped lead the association through the challenges presented by the Covid-19 pandemic and the departure of longtime CEO Tom Hood.

From 5th grade classrooms to the Standing Advisory Group and Board of the PCAOB, Rebekah frequently presents on the accounting profession and its future. She is a certified Insight to Action facilitator, having guided firms, non-profits and accounting professionals in the United States and Canada in the strategic planning process. In 2017, 2019 and 2020 Rebekah was recognized by CPA Practice Advisor as a top thought leader under 40 in the profession. In 2019 the National Association of Black Accountants (NABA) Baltimore Chapter presented her with the President’s Award for her commitments to the Accounting Community and in 2020, Rebekah was named a Maryland Daily Record Leading Women Honoree.

Rebekah earned a Bachelor’s degree in Business Administration specializing in Accounting and Sports Management from The Max M. Fisher School of Business at The Ohio State University in 2009. She earned her CPA in 2011. After two public accounting internships and three years as an Audit Staff and Senior at a Top 100 firm, Rebekah left public accounting to use her talents and experiences to work on behalf of the profession at the Maryland Association of CPAs.

Chapters

To serve the needs of CPAs across the state, the association is divided into seven chapters. These chapters bring networking opportunities, continuing professional education programs, and a link to MACPA and trends in the profession to their local members.

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Legislative Liaisons – A Resource For Legislators

With a well-connected and informed network in place, legislators will find MACPA’s legislative team to be a valuable resource when legislation involving complex business issues or far-reaching economic impact is being considered. Seasoned legislators as well as newcomers to the General Assembly may turn to the MACPA for:
• analysis of legislative initiatives for economic impact;
• position papers;
• answers to record keeping and tax questions; and
• explanation of accounting concepts, procedures and terminology.

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