



**California Board of Accountancy**  
2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833

*phone:* (916) 263-3680    *fax:* (916) 263-3675    *web:* [www.cba.ca.gov](http://www.cba.ca.gov)



September 17, 2019

The Honorable Gavin Newsom  
State Capitol, 1<sup>st</sup> Floor  
Sacramento, CA 95814

**RE: AB 1181 (Limon) – Veto Request**

Dear Governor Newsom:

On behalf of the California Board of Accountancy (CBA), I am writing to respectfully request your veto of Assembly Bill (AB) 1181, which would create a California-specific accounting standard for the valuation of certain noncash gifts-in-kind (GIK) received by a charitable organization. This bill subverts the standard setting process and would place in statute a new accounting standard that conflicts with existing accounting standards, referred to as generally accepted accounting principles (GAAP).

Changing accounting standards in this way would lead to confusion for accounting professionals, regulators, donors to charitable organizations, and consumers who rely upon a consistent and predictable approach to financial reporting.

For the reasons discussed in this letter, the CBA respectfully requests your veto of AB 1181, thereby allowing the current standard setting process to unfold and address the concerns raised by the author and sponsor of the bill.

Current Accounting Standards Setting Process is Successful

The changes proposed by AB 1181 would undermine the long-standing and effective means to update accounting standards that are relied upon by government agencies, private organizations, and consumers across the United States (U.S.). The CBA is not aware of any state that has taken a similar approach to addressing the fair market valuation issues offered by the California Attorney General.

Setting standards is an iterative process that involves rigorous collaboration among affected stakeholders. That collaboration does not end once a standard is set, rather, the continual feedback provided by stakeholders lays the foundation for future improvements to accounting standards.

The Financial Accounting Standards Board (FASB), which is the body with jurisdiction over this area of accounting standards, has already begun work to evaluate and consider changes to GAAP that would address the questions and concerns raised by this measure.

Further, if AB 1181 were enacted, the process for stakeholders to provide input and obtain feedback and clarification regarding this new standard is unclear. FASB has processes and mechanisms in place to foster ongoing dialogue, yet AB 1181 does not address this vital aspect.

#### Public Accounting is an Interconnected Profession

GAAP, among other accounting standards, is applied uniformly throughout the U.S., without regard to state borders. The interconnected nature of the public accounting profession supports the consistent approach to financial reporting.

California's mobility program (see Senate Bill 795, Chapter 447 of 2018 Statutes) allows qualified, out-of-state CPAs to practice in California. Those CPAs are subject to California's laws and standards while serving clients in this state, but are simultaneously bound by the laws and standards of their home state. A violation in either state may subject that licensee to discipline from both jurisdictions.

Therefore, out-of-state CPAs serving California clients impacted by the bill may be placed in an untenable position of choosing which standard to follow – either the California standard, or those from their home state. Regardless of the choice made, the CPA could not comply with both standards, as they are inconsistent – potentially placing them at risk of discipline from one or both states.

This conflict would create confusion and may cause otherwise qualified and competent CPAs to avoid this risk and simply stop providing services to the types of charitable organizations that AB 1181 intends to impact. This outcome would undermine the bill's consumer protection goals by limiting the charitable organization's access to qualified CPAs. This would, in turn, weaken the benefit and success of California's mobility program.

Again, the CBA respectfully requests you veto AB 1181 and allow the existing FASB standard setting process to work. Any interested party may engage in that process, which the CBA believes is the appropriate and most effective method to revise public accounting standards.

If you have questions about this letter, please contact Patti Bowers, Executive Officer, at (916) 561-1711 or [patti.bowers@cba.ca.gov](mailto:patti.bowers@cba.ca.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "George Famalett". The signature is written in a cursive, flowing style.

George Famalett, CPA  
President

c: Members, California Board of Accountancy  
Patti Bowers, Executive Officer