

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 1315 Public Accountancy  
**SPONSOR(S):** Representative Sullivan  
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 2720

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Trades, Professions, &amp; Reg. Business (Sub)</u>	_____	<u>Livingston</u>	<u>Liepshutz</u>
2) <u>Business Regulation</u>	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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### SUMMARY ANALYSIS

Certified public accountants (CPA)s are regulated under the jurisdiction of the Board of Accountancy (board) within the Department of Business and Professional Regulation, Division of Certified Public Accountants. Qualifications for licensure include meeting the requirements for good moral character, formal education, and successful completion of the licensure examination.

In order to take the CPA licensure examination, certain education qualifications must be met including at least 30 semester or 45 quarter hours of formal education in excess of the hours required for a baccalaureate degree. This is commonly referred to as the 5th year/150 hour requirement. An applicant for licensure may substitute five years of out-of-state work experience for the extra education credits required beyond the baccalaureate degree. Currently, a similar work experience alternative to the additional hours required for licensure is not available to an individual who has work experience in Florida.

Florida does not currently have an ethics continuing professional education requirement. Eighty hours of continuing education every two years is required as a part of the licensure renewal process. Currently, each licensee is required to take and pass an exam on chapters 455, relating to the general powers of the DBPR, and 473, relating to public accountancy, and the related administrative rules for licensure renewal.

The bill is designed to expand the work experience alternative to formal education to include in-state work experience if: the work experience is completed in the state of Florida and is provided under the supervision of a CPA, the person is employed as an auditor or accountant for a governmental agency, and holds a CPA license in another state. The bill also extends the repeal of the out-of-state work experience alternative provision from Oct. 1, 2005 to Oct. 1, 2008.

The bill creates an ethics course continuing professional education requirement as a part of the continuing education basics for licensure renewal. The hours of continuing professional education may not be less than five percent of the total hours required by the board for license renewal.

The bill does not appear to have a fiscal impact on state or local governments.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

**STORAGE NAME:** h1315.br.doc  
**DATE:** March 5, 2004

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. DOES THE BILL:

- |                                      |                              |                             |   |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government?                | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes?                      | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom?        | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families?                 | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

#### B. EFFECT OF PROPOSED CHANGES:

##### Present situation

Chapter 473, F.S., provides for the regulation of certified public accountants (CPA)s under the jurisdiction of the Board of Accountancy (board) within the Department of Business and Professional Regulation, Division of Certified Public Accountants. The practice of public accounting is defined in s. 473.302, F.S., to include offering or performing services using accounting skills, as well as, services related to financial statements, and "... tax, management advisory, and consulting services ...". Qualifications for licensure include meeting the requirements for good moral character, formal education, and successful completion of the licensure examination.

In order to take the CPA licensure examination, certain education qualifications must be met. Section 473.306(2)(b)2, F.S., requires, in part, at least 30 semester or 45 quarter hours in excess of the hours required for a baccalaureate degree to sit for the CPA examination. This is commonly referred to as the 5th year/150 hour requirement which is also a part of the national standards of the American Institute of Certified Public Accountants (AICPA). Many, but not all, states have adopted this standard for licensure.

Section 473.308(4), F.S., provides that an applicant may substitute five years of out-of-state work experience for the extra education credits required beyond the baccalaureate degree. Since 1986, Florida has allowed five years of out-of-state practice as a licensed CPA as an alternative to the additional 30 semester hours beyond the baccalaureate degree requirement. To compensate for the failure of the several states that have not adopted the fifth year standard, the repeal of the time frame for out-of-state CPAs to utilize the work experience alternative to attain Florida licensure has already been extended two times. The automatic repeal of the work experience allowance is currently scheduled for October 1, 2005.

If a CPA licensed in another state came from a state that did not require the 150-hours of education and is now residing in Florida, the CPA has two alternatives to meet Florida's CPA licensure standards: 1) go back to school for the additional 30 semester hours of education, or 2) go to work outside the state of Florida for 5 years in public accounting as a substitute for the additional 30 hours. An individual could have many years of total accounting experience as a licensed CPA in another state, but did not complete the 5 years in public practice outside the state of Florida. Currently, a similar work experience alternative to the additional hours required for licensure is not available to an individual who has work experience in Florida.

Section 473.312, F.S., requires, as part of the license renewal procedure, that CPAs must have successfully completed not less than 48 or more than 80 classroom hours of continuing professional education programs in public accounting subjects during the two years prior to license renewal. The board also may prescribe by rule additional continuing professional education hours,

not to exceed 25 percent of the total hours required, for failure to complete the hours required for renewal by the end of the renewal period.

Additionally, this section specifies that not less than 25 percent of the total hours required by the board must be in accounting-related and auditing-related subjects, as distinguished from federal and local taxation matters and management services.

Florida does not currently have an ethics continuing professional education requirement. Eighty hours of continuing education every two years is required as a part of the licensure renewal process. In addition, s. 473.311, F.S. requires each licensee to take and pass an exam on chapters 455, relating to the general powers of the DBPR, and 473, relating to public accountancy, and the related administrative rules.

#### Effect of proposed changes

The bill is designed to expand the work experience alternative to the fifth year education requirement for out of state work experience if: the work experience is completed in the state of Florida and is provided under the supervision of a CPA, the person is employed as an auditor or accountant for a governmental agency, and holds a CPA license in another state. The bill also extends the repeal of the out-of-state work experience alternative provision from Oct. 1, 2005 to Oct. 1, 2008.

The bill creates an ethics course continuing professional education requirement as a part of the continuing education basics for licensure renewal. The ethics hours of continuing professional education may not be less than five percent of the total hours required by the board for license renewal. By restricting the hours of the ethics course to a percentage of the total continuing education hours, it does not increase the current 80-hour continuing education requirement for license renewal but requires that ethics now become a part of the curriculum.

The course is required to include a review of chapters 455, relating to the general powers of the DBPR, and 473, relating to public accountancy, and related administrative rules. The course provider must be approved by the board.

#### C. SECTION DIRECTORY:

Section 1. Amends s. 473.308, F.S., to allow work experience in Florida as an alternative to certain educational requirements.

Section 2. Amends s. 473.311, F.S., to institute a cross reference.

Section 3. Amends s. 473.312, F.S., to include an ethics program as a part of the licensure renewal requirements.

Section 4. Effective date - July 1, 2004.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

NA

2. Expenditures:

NA

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Not anticipated to be a significant economic impact.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

NA

2. Other:

None noted.

B. RULE-MAKING AUTHORITY:

NA

C. DRAFTING ISSUES OR OTHER COMMENTS:

None noted.

**IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES**