

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 317 Public Accountancy
SPONSOR(S): Commerce Committee, Caruso and others
TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 616

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Regulatory Reform Subcommittee	16 Y, 0 N	Wright	Anstead
2) Commerce Committee	21 Y, 0 N, As CS	Wright	Hamon

SUMMARY ANALYSIS

In Florida, public accountancy is regulated by the Board of Accountancy under the Department of Business and Professional Regulation. The practice of public accountancy includes offering to the public the performance of services involving audits, reviews, compilations, tax preparation, management advisory or consulting services, or preparation of financial statements. In order to practice public accountancy, a person must be licensed as a certified public accountant (CPA).

Every biennium, CPAs must complete 80 hours of continuing professional education (CPE), by board rule. At least 5 percent of the total hours required by the board must be in the subject of public accounting ethics.

An applicant for CPA licensure by endorsement is eligible if the applicant:

- Is of good moral character;
- Has complete certain CPE requirements; and either:
- Has passed an equivalent examination in another state or territory, but does not hold a license; or
- Holds a license from another state or territory if the criteria is equivalent to that of Florida.

The bill:

- Clarifies the licensure by endorsement provision for applicants that have passed an examination but do not hold a license in “another” state or territory, to instead not require a license in “any” state or territory;
- Allows nonresidents seeking CPA license renewal to satisfy the CPE requirements, except for the ethics component, with either the applicable CPE requirements in the state in which the applicant’s office is located, or Florida CPE requirements, if the other state has no CPE license renewal requirements; and
- Specifies that a “majority” of the total CPE hours required for ethics training must include a review of certain provisions and related administrative rules.

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

The bill has an effective date of July 1, 2021.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

The Florida Board of Accounting (board) in the Department of Business and Professional Regulation (DBPR) is the agency responsible for regulating and licensing more than 35,000 active and inactive certified public accountants (CPA) and more than 5,400 accounting firms in Florida. The Division of Certified Public Accounting provides administrative support to the 9-member board, which consists of 7 CPAs and 2 laypersons.¹

To engage in the practice of public accounting, an individual or firm must be licensed and business entities must meet certain formation requirements.²

The “practice of public accountancy” includes offering to the public the performance of services involving audits, reviews, compilations, tax preparation, management advisory or consulting services, or preparation of financial statements.³

The initial licensing fee for a CPA license is \$50, and the biennial renewal fee is \$105.⁴

A person may be charged with a first-degree misdemeanor if they are not a licensed CPA and they perform:⁵

- Services involving the expression of an opinion on financial statements,
- The attestation as an expert in accountancy to the reliability or fairness of presentation of financial information,
- The utilization of any form of opinion or financial statements that provide a level of assurance,
- The utilization of any form of disclaimer of opinion which conveys an assurance of reliability as to matters not specifically disclaimed, or
- The expression of an opinion on the reliability of an assertion by one party for the use by a third party.

License by Endorsement

An applicant is eligible for licensure by endorsement if the applicant:⁶

- Is of good moral character;
- Has completed 80 hours of continuing professional education (CPE) if it has been at least 2 years since passing the licensing examination;⁷ and either:
- Is not licensed, but has otherwise met the licensing requirements and has passed a licensing examination that is substantially equivalent to the Florida examination; or
- Holds a valid license to practice public accounting issued by another state or territory of the United States, if the criteria for issuance of such license are substantially equivalent to a Florida license or is otherwise permitted.

¹ S. 473.303, F.S.

² S. 473.302, F.S.

³ S. 473.302(8), F.S.

⁴ Email from Roger Scarborough, Director of the Division of Public Accounting, Florida Department of Business and Professional Regulation, RE: CPAs (Feb. 8, 2021).

⁵ S. 473.322(1)(c), F.S.

⁶ S. 468.8414(3), (4), F.S.

⁷ R. 61H1-29.003, F.A.C.

Continuing Education

CPAs are required to complete 80 hours⁸ of CPE in public accounting subjects every 2 years to renew their license. The board has the authority to prescribe by rule additional CPE 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 reestablishment period.⁹

At least 25 percent of the total hours required by the board must be in accounting-related and auditing-related subjects, as distinguished from other subjects that include federal and local taxation matters and management services.¹⁰

Five percent of the total hours required by the board must be in ethics applicable to the practice of public accounting. This requirement must be administered by providers approved by the board and include a review of the provisions of ch. 455, F.S., ch. 473, F.S., and the related administrative rules.¹¹

Effect of the Bill

The bill revises the CPA license by endorsement provision for applicants that have passed an examination but do not hold a license in “another” state or territory. The bill simply changes “another” state or territory to “any” state or territory.

The bill allows nonresident CPA licensees who are seeking renewal of a license in this state to satisfy the CPE requirements (except for the ethics component), if the nonresident licensee has complied with applicable CPE requirements in the state in which his or her office is located. If the state in which the nonresident licensee's office is located has no CPE license renewal requirements, the nonresident licensee must comply with Florida CPE requirements.

The bill specifies that a “majority” of the total CPE hours required for ethics training must include a review of the provisions of ch. 455, F.S., ch. 473, F.S., and the related administrative rules. Currently, no amount is specified.

The bill has an effective date of July 1, 2021.

B. SECTION DIRECTORY:

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| Section 1 | Amends s. 473.308, F.S., revising a requirement for obtaining a license by endorsement. |
| Section 2 | Amends s. 473.311, F.S., providing license renewal requirements for nonresident licensees. |
| Section 3 | Amends s. 473.312, F.S., providing requirements for continuing education content. |
| Section 4 | Provides an effective date. |

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

⁸ S. 473.312(1)(a), F.S. allows the board to require between 48 and 80 hours of CPE every 2 years. The board requires 80 hours in r. 61H1-33.003, F.A.C.

⁹ S. 473.312(1)(a), F.S.

¹⁰ *Id.*

¹¹ S. 473.312(1)(b),(c), F.S.

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Some out-of-state CPAs may need to complete less CPE in order to maintain a Florida CPA license.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The board will need to update rules regarding CPE. There is sufficient rulemaking authority to do so.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On April 23, 2021, the Commerce Committee adopted an amendment and reported the bill favorably as a committee substitute. The committee substitute removed the retired status license process from the bill.

This analysis is drafted to the committee substitute as passed by the Commerce Committee.