

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Higher Education Committee

BILL: CS/SB 1206

INTRODUCER: Regulated Industries Committee and Senator Jones

SUBJECT: Public Accountancy

DATE: March 30, 2008      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Oxamendi</u>	<u>Imhof</u>	<u>RI</u>	<b>Fav/CS</b>
2.	<u>Harkey</u>	<u>Matthews</u>	<u>HE</u>	<b>Favorable</b>
3.	_____	_____	<u>GA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**Please see Section VIII. for Additional Information:**

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|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

The bill amends the education and licensure requirements for a certified public accountant (CPA). The bill provides that an applicant for licensure as a Florida CPA must apply to the Board of Accountancy (board) within the Department of Business and Professional Regulation to take the licensure examination. To take the accountancy licensure examination under current law, an applicant must have a baccalaureate degree with a major in accounting, or its equivalent, and must have at least 30 semester or 45 quarters hours in excess of those required for a 4-year baccalaureate degree. The additional 30 semester or 45 quarters hours is known as the “fifth year” requirement, and under current law, the applicant must complete the fifth year before taking the licensure examination. The bill would permit CPA applicants to take the CPA examination upon completion of the baccalaureate degree in accounting and before completion of the “fifth year” requirement.

The bill requires one year of work experience for applicants who apply for licensure after December 31, 2008. The work experience includes providing advice or service using accounting, attest, compilation, advisory, tax, or consulting skills. The experience must be a substantial part of the applicant’s duties, be verified and be under the supervision of a CPA licensed in the United States. The applicant may be employed in government, industry, academia, or public

practice to meet the experience requirement. The board is required to adopt rules specifying the work experience standards and providing for review and approval of the work experience.

The board must certify an applicant for a license by endorsement if the person has met the requirements of the act for education, work experience, and good moral character.

This bill substantially amends sections 473.306, 473.308, and 473.323, Florida Statutes.

## **II. Present Situation:**

Section 473.303, F.S., creates the Board of Accountancy (board) within the Department of Business and Professional Regulation (department) to regulate the practice of public accountancy. The Division of Certified Public Accounting performs for the board all services concerning the enforcement of ch. 473, F.S., including, but not limited to, recordkeeping services, examination services, legal services, and investigative services, and those services in ch. 455, F.S., necessary to perform the board's duties under the chapter.

### **Definitions**

Section 473.302(4), F.S., defines a "certified public accountant" to mean a person who holds a license to practice public accounting in this state under the authority of ch. 473, F.S.

Section 473.302(7), F.S., defines the "practice of," "practicing public accountancy," or "public accounting" to mean:

- (a) Offering to perform or performing for the public one or more types of 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;
- (b) Offering to perform or performing for the public one or more types of services involving the use of accounting skills, or one or more types of tax, management advisory, or consulting services, by any person who is a certified public accountant who holds an active license, including the performance of such services by a certified public accountant in the employ of a person or firm; or
- (c) Offering to perform or performing for the public one or more types of service involving the preparation of financial statements not included within paragraph (a), by a certified public accountant who holds an active license, a firm of certified public accountants, or a firm in which a certified public accountant has an ownership interest, including the performance of such services in the employ of another person. The board shall adopt rules establishing standards of practice for such reports and financial statements; provided, however, that nothing in this paragraph shall be construed to permit the board to adopt rules that have the result

of prohibiting licensees employed by unlicensed firms from preparing financial statements as authorized by this paragraph.

However, these terms shall not include services provided by the American Institute of Certified Public Accountants or the Florida Institute of Certified Public Accountants, or any full service association of certified public accounting firms whose plans of administration have been approved by the board, to their members or services performed by these entities in reviewing the services provided to the public by members of these entities.

### **Examination and Licensure**

Section 473.306, F.S., sets forth the requirements for obtaining a certified public accountant (CPA) license, including examination, education, and experience requirements. A person must apply to the department and pass an examination to be licensed as a CPA.<sup>1</sup> Applicants for CPA licensure may sit for the licensure examination if they are of good moral character<sup>2</sup> and have satisfied the following educational requirements from an accredited college or university:

- If the person applies for licensure before August 2, 1983, the applicant must have a baccalaureate degree with a major in accounting or its equivalent with a concentration in accounting and business to the extent specified by the board;<sup>3</sup>
- If the person applies for licensure after August 1, 1983, the applicant must have a baccalaureate degree with a major in accounting, or its equivalent, and must have at least 30 semester or 45 quarters hours in excess of those required for a 4-year baccalaureate degree, with a concentration in accounting and business in the total educational program to the extent specified by the board.<sup>4</sup>

The 4-year baccalaureate degree with a major in accounting equates to 120 semester hours or 160 quarter hours. The additional 30-semester or 45-quarter hour requirement is known as the “fifth year” requirement.

The Florida Institute of Certified Public Accountants (FICPA) represents that many accounting students at Florida’s universities do not take the Uniform CPA Examination in Florida because of the requirement to have completed the “fifth year” before being accepted to take the CPA examination. According to FICPA, the fifth year requirement encourages students to take the examination through another state, typically Georgia, that permits accounting students to sit for the CPA examination after having completed the 120 hours and have the grades transferred to Florida once the exam is passed.

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<sup>1</sup> See s. 473.308, F.S.

<sup>2</sup> Section 473.306(2)(a), F.S.

<sup>3</sup> Section 473.306(2)(b), F.S.

<sup>4</sup> Section 473.306(2)(b)2., F.S.

The FICPA also indicated that over 20 states, including surrounding states like Georgia, South Carolina and North Carolina, currently allow students to sit for the uniform CPA exam after completing 120 hours of education.

The board is required to certify an applicant as qualified for a license by endorsement if the applicant:

- Has not been licensed in another state, meets the qualifications in s. 473.306, F.S., has passed a national, regional, state, or territorial examination substantially equivalent to the Florida exam, and has completed the required continuing education requirements in s. 473.312, F.S.;<sup>5</sup> or
- Has a valid license to practice public accounting from another state or United States Territory that is substantially equivalent to Florida's requirements; or
- Has a valid license from another state or territory that does not meet the Florida requirements, meets the qualifications in s. 473.306, F.S., has passed a national, regional, state, or territorial examination substantially equivalent to the Florida exam, and has completed the required continuing education requirements for a license in Florida during the preceding two years.

Section 473.308(4), F.S., provides a work experience alternative to the "fifth year" education requirement of s. 473.306(2)(b)2., F.S. It provides the board shall waive the requirements of s. 473.306(2)(b) 2., F.S., that are in excess of a baccalaureate degree if the applicant has:

- Five years of experience in the practice of public accountancy in the United States or its equivalent in a foreign country that the International Qualifications Appraisal Board of the National Association of State Boards of Accountancy has determined has licensure standards that are substantially equivalent to those in the United States; or
- Five years of experience as an auditor or accountant in the employment of a unit of federal, state, or local government, and that employment required the use of accounting skills as a substantial part of the applicant's duties and was under the supervision of a certified public accountant licensed by a state or territory of the United States.

Section 473.308(4), F.S., further provides that all of the experience used to waive the requirements of s. 473.306(2)(b)2., F.S., must be experience outside this state after licensure by another state or territory of the United States, or after licensure in the practice of public accountancy, or its equivalent, in a foreign country that the International Qualifications Appraisal Board of the National Association of State Boards of Accountancy has determined has licensure standards that are substantially equivalent to those in the United States.

Florida does not require work experience as a condition for licensure. According to the board, a one-year work experience requirement would be consistent with the CPA licensure requirements

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<sup>5</sup> Section 473.312, F.S., requires that to renew a license, a CPA must have successfully completed "not less than 48 or more than 80 hours of continuing professional education programs in public accounting subjects approved by the board." Pursuant to s. 473.311, F.S., certified public accountants must renew their license every two years.

in other states and with the Uniform Accountancy Act<sup>6</sup> that is published jointly by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy.

According to FICPA, 49 of the 54 states and territories have a work experience requirement before licensure. The only states and territories that do not have this requirement are Florida, Alabama, Hawaii, New York and Puerto Rico.

### **III. Effect of Proposed Changes:**

#### **Examinations**

The bill amends s. 473.306(2), F.S., to provide that an applicant for licensure as a Florida CPA must apply to the department to take the licensure examination.

The bill also amends s. 473.306(2), F.S., to require an applicant intending to take the licensure examination to complete 120 semester hours or 160 quarter hours from an accredited college or university with a concentration in accounting and business courses as specified by board rule. This provision would permit CPA applicants to take the CPA examination upon completion of the baccalaureate degree in accounting and before completion of the “fifth year” requirement.

The bill also eliminates the distinction between licensure applications made before or after August 1983.

#### **Licensure**

The bill amends s. 473.308(4), F.S., to create the requirement for one year of work experience for all applicants for licensure as a CPA after December 31, 2008. The bill provides that this experience must include any type of service or advice involving the “use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills.” This experience must be verified by a CPA who is licensed by a state or territory of the United States and who has supervised the applicant. The work experience must also be:

- Gained through employment in government, industry, academia, or public practice; and
- Constituted a substantial part of the applicant’s duties.

The board must adopt rules specifying the work experience standards and providing for the review and approval of the work experience requirement.

The bill maintains the “fifth year” requirement and transfers that provision from s. 473.306, F.S., to s. 473.308(3), F.S. The bill also maintains the current moral character requirements and transfers those provisions from s. 473.306, F.S., to s. 473.308(5) and (6), F.S.

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<sup>6</sup> A copy of the Uniform Accountancy Act is available at [http://www.aicpa.org/download/states/UAA\\_Fifth\\_Edition\\_July\\_2007.pdf](http://www.aicpa.org/download/states/UAA_Fifth_Edition_July_2007.pdf) (last visited March 28, 2008).

Section 473.308(3), F.S., is renumbered as subsection (7) and amended to require an applicant to meet the new work requirements to be qualified to be licensed by endorsement when the applicant has not been previously licensed in another state or territory or when the applicant has been licensed in another state or territory that does not meet Florida's requirements.

The bill also amends s. 473.308(8), F.S., to delete one of the two work experience options for waiver of the "fifth year" education requirement. The bill provides that the "fifth year" education requirement can be waived if the applicant has five years of work experience that meets the requirements of s. 473.308(4), F.S. It deletes the requirement that the worked experience must be as an auditor or accountant in the employment of a unit of federal, state, or local government and that the employment required the use of accounting skills as a substantial part of the applicant's duties and was under the supervision of a certified public accountant licensed by a state or territory of the United States.

The bill also amends s. 473.323, F.S., to correct the cross-reference to the moral character provision in s. 473.308, F.S.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

#### **V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

According to the department, there would be minimal fiscal impact related to the implementation of this bill. It anticipates that existing staff could handle the additional workload.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Regulated Industries on March 6, 2008:**

The CS for SB 1206 corrected a scrivener's error and a cross-reference.

- B. **Amendments:**

None.