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Proposed Regulation Agency Background Document

Agency name	Virginia Board of Accountancy
Virginia Administrative Code (VAC) Chapter citation(s)	18VAC5-22
VAC Chapter title(s)	Board of Accountancy Regulations
Action title	Amendments to Firm Requirements and Principal Place of Business
Date this document prepared	December 3, 2025

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Order 19 (2022) (EO 19), any instructions or procedures issued by the Office of Regulatory Management (ORM) or the Department of Planning and Budget (DPB) pursuant to EO 19, the Regulations for Filing and Publishing Agency Regulations (1 VAC 7-10), and the *Form and Style Requirements for the Virginia Register of Regulations and Virginia Administrative Code*.

Brief Summary

Provide a brief summary (preferably no more than 2 or 3 paragraphs) of this regulatory change (i.e., new regulation, amendments to an existing regulation, or repeal of an existing regulation). Alert the reader to all substantive matters. If applicable, generally describe the existing regulation.

This regulatory change will clarify the definition concerning principal place of business, clarify firm requirements, eliminate the CPA re-exam fee, remove restrictions related to CPA examination requirements, repeal a redundant regulation, and provide some technical amendments for enhanced clarity.

Acronyms and Definitions

Define all acronyms used in this form, and any technical terms that are not also defined in the "Definitions" section of the regulation.

"Board" or "VBOA" means Virginia Board of Accountancy

“CPA” means Certified Public Accountant

Mandate and Impetus

Identify the mandate for this regulatory change and any other impetus that specifically prompted its initiation (e.g., new or modified mandate, petition for rulemaking, periodic review, or board decision). For purposes of executive branch review, “mandate” has the same meaning as defined in the ORM procedures, “a directive from the General Assembly, the federal government, or a court that requires that a regulation be promulgated, amended, or repealed in whole or part.”

This regulatory action was prompted by the need to comply with Executive Order 19 concerning regulatory reduction, as well as Board decision to amend outdated, confusing, or redundant regulations.

Legal Basis

Identify (1) the promulgating agency, and (2) the state and/or federal legal authority for the regulatory change, including the most relevant citations to the Code of Virginia and Acts of Assembly chapter number(s), if applicable. Your citation must include a specific provision, if any, authorizing the promulgating agency to regulate this specific subject or program, as well as a reference to the agency’s overall regulatory authority.

The VBOA is the promulgating entity for regulations governing public accountancy. VBOA regulations are promulgated under the general authority of Title 54.1, Chapter 44 of the Code of Virginia.

Virginia Code § 54.1-4402(H) states “The Board shall have the responsibility of enforcing this chapter and may by regulation establish rules and procedures for the implementation of the provisions of this chapter.”

Virginia Code § 54.1-4403(3) grants authority to the Board to promulgate regulations “in accordance with the Administrative Process Act (§ 2.2-4000 et seq.) necessary to assure continued competency, to prevent deceptive or misleading practices by licensees, and to effectively administer the regulatory system.”

Purpose

Explain the need for the regulatory change, including a description of: (1) the rationale or justification, (2) the specific reasons the regulatory change is essential to protect the health, safety or welfare of citizens, and (3) the goals of the regulatory change and the problems it is intended to solve.

The current regulation concerning principal place of business (18VAC5-22-50) is ambiguous and confusing to regulated parties; the proposed regulation will enhance clarity for the public regarding the circumstances in which Virginia should be determined as the principal place of business. CPA examination (18VAC5-22-80) restrictions will be lifted to further reduce regulatory burdens for CPA candidates, in accordance with Executive Order 19. The CPA re-exam fee (18VAC5-22-20) will also be removed to further reduce regulatory burdens. Amendments related to firms (18VAC5-22-130, 18VAC5-22-150, 18VAC5-22-170) are necessary to improve regulatory and ethical oversight of CPA firms for the sake of public protection and safety. This is especially important given the increasing risk of non-CPA influence and control within CPA firms through alternative practice structures and private equity investment. Some technical amendments in this regulatory change will be made to enhance public clarity and understanding.

Substance

Briefly identify and explain the new substantive provisions, the substantive changes to existing sections, or both. A more detailed discussion is provided in the "Detail of Changes" section below.

18VAC5-22-20 amendments will eliminate the CPA re-exam fee.

18VAC5-22-30 will be repealed due to redundancy.

18VAC5-22-50 amendments will clarify the definition of "principal place of business."

18VAC5-22-80 amendments will remove restrictions for re-examination requirements and clarify CPA license eligibility requirements.

18VAC5-22-130 amendments will clarify statutes related to CPA firm ownership requirements.

18VAC5-22-150 amendments will clarify statutes related to firm peer review enrollment.

18VAC5-22-170 amendments will require firms to report changes to their ownership or organizational structure to the board.

18VAC5-22-180 will include technical amendments for enhanced clarity.

Issues

Identify the issues associated with the regulatory change, including: 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions; 2) the primary advantages and disadvantages to the agency or the Commonwealth; and 3) other pertinent matters of interest to the regulated community, government officials, and the public. If there are no disadvantages to the public or the Commonwealth, include a specific statement to that effect.

Rather than a CPA's principal place of business be based on "reasonable judgement," amendments to 18VAC5-22-50 will improve public clarity and allow CPAs to objectively make this determination and more easily remain in compliance with other related statutes. The public will also benefit from amendments to 18VAC5-22-80 that will remove the time restrictions for CPA candidates to re-take their CPA exam, thereby shortening the licensure process. All other amendments related to firms are meant to enhance public protection by ensuring that CPA firms maintain transparency and remain majority-owned by CPAs, as intended by the statutes, rather than risk ownership and independence loss through the rising influence of alternative practice structures and private equity investment.

Requirements More Restrictive than Federal

Identify and describe any requirement of the regulatory change which is more restrictive than applicable federal requirements. Include a specific citation for each applicable federal requirement, and a rationale for the need for the more restrictive requirements. If there are no applicable federal requirements, or no requirements that exceed applicable federal requirements, include a specific statement to that effect.

There are no applicable federal requirements related to this regulatory change.

Agencies, Localities, and Other Entities Particularly Affected

Consistent with § 2.2-4007.04 of the Code of Virginia, identify any other state agencies, localities, or other entities particularly affected by the regulatory change. Other entities could include local partners such as tribal governments, school boards, community services boards, and similar regional organizations. "Particularly affected" are those that are likely to bear any identified disproportionate material impact which would not be experienced by other agencies, localities, or entities. "Locality" can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulation or regulatory change are most likely to occur. If no agency, locality, or entity is particularly affected, include a specific statement to that effect.

Other State Agencies Particularly Affected

There are no other state agencies particularly affected.

Localities Particularly Affected

There are no other localities particularly affected.

Other Entities Particularly Affected

CPAs and CPA firms are particularly affected due to changes to principal place of business, re-examination changes, and firm requirements.

Economic Impact

Consistent with § 2.2-4007.04 of the Code of Virginia, identify all specific economic impacts (costs and/or benefits) anticipated to result from the regulatory change. When describing a particular economic impact, specify which new requirement or change in requirement creates the anticipated economic impact. Keep in mind that this is the proposed change versus the status quo.

Impact on State Agencies

<p><i>For your agency:</i> projected costs, savings, fees, or revenues resulting from the regulatory change, including: a) fund source / fund detail; b) delineation of one-time versus on-going expenditures; and c) whether any costs or revenue loss can be absorbed within existing resources.</p>	<p>No projected economic impact.</p>
<p><i>For other state agencies:</i> projected costs, savings, fees, or revenues resulting from the regulatory change, including a delineation of one-time versus on-going expenditures.</p>	<p>No projected economic impact.</p>
<p><i>For all agencies:</i> Benefits the regulatory change is designed to produce.</p>	<p>No projected economic impact.</p>

Impact on Localities

If this analysis has been reported on the ORM Economic Impact form, indicate the tables (1a or 2) on which it was reported. Information provided on that form need not be repeated here.

Projected costs, savings, fees, or revenues resulting from the regulatory change.	No projected economic impact.
Benefits the regulatory change is designed to produce.	No projected economic impact.

Impact on Other Entities

If this analysis has been reported on the ORM Economic Impact form, indicate the tables (1a, 3, or 4) on which it was reported. Information provided on that form need not be repeated here.

Description of the individuals, businesses, or other entities likely to be affected by the regulatory change. If no other entities will be affected, include a specific statement to that effect.	See Table 1a of the ORM Economic Review form.
Agency’s best estimate of the number of such entities that will be affected. Include an estimate of the number of small businesses affected. Small business means a business entity, including its affiliates, that: a) is independently owned and operated, and; b) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.	See Table 1a of the ORM Economic Review form.
All projected costs for affected individuals, businesses, or other entities resulting from the regulatory change. Be specific and include all costs including, but not limited to: a) projected reporting, recordkeeping, and other administrative costs required for compliance by small businesses; b) specify any costs related to the development of real estate for commercial or residential purposes that are a consequence of the regulatory change; c) fees; d) purchases of equipment or services; and e) time required to comply with the requirements.	See Table 1a of the ORM Economic Review form.
Benefits the regulatory change is designed to produce.	See Table 1a of the ORM Economic Review form.

Alternatives to Regulation

Describe any viable alternatives to the regulatory change that were considered, and the rationale used by the agency to select the least burdensome or intrusive alternative that meets the essential purpose of the regulatory change. Also, include discussion of less intrusive or less costly alternatives for small businesses, as defined in § 2.2-4007.1 of the Code of Virginia, of achieving the purpose of the regulatory change.

See Table 1c of the ORM Economic Review Form.

If this analysis has been reported on the ORM Economic Impact form, indicate the tables on which it was reported. Information provided on that form need not be repeated here.

Regulatory Flexibility Analysis

Consistent with § 2.2-4007.1 B of the Code of Virginia, describe the agency's analysis of alternative regulatory methods, consistent with health, safety, environmental, and economic welfare, that will accomplish the objectives of applicable law while minimizing the adverse impact on small business. Alternative regulatory methods include, at a minimum: 1) establishing less stringent compliance or reporting requirements; 2) establishing less stringent schedules or deadlines for compliance or reporting requirements; 3) consolidation or simplification of compliance or reporting requirements; 4) establishing performance standards for small businesses to replace design or operational standards required in the proposed regulation; and 5) the exemption of small businesses from all or any part of the requirements contained in the regulatory change.

See Table 1c of the ORM Economic Review Form.

If this analysis has been reported on the ORM Economic Impact form, indicate the tables on which it was reported. Information provided on that form need not be repeated here.

Periodic Review and Small Business Impact Review Report of Findings

If you are using this form to report the result of a periodic review/small business impact review that is being conducted as part of this regulatory action, and was announced during the NOIRA stage, indicate whether the regulatory change meets the criteria set out in EO 19 and the ORM procedures, e.g., is necessary for the protection of public health, safety, and welfare; minimizes the economic impact on small businesses consistent with the stated objectives of applicable law; and is clearly written and easily understandable. In addition, as required by § 2.2-4007.1 E and F of the Code of Virginia, discuss the agency's consideration of: (1) the continued need for the regulation; (2) the nature of complaints or comments received concerning the regulation; (3) the complexity of the regulation; (4) the extent to which the regulation overlaps, duplicates, or conflicts with federal or state law or regulation; and (5) the length of time since the regulation has been evaluated or the degree to which technology, economic conditions, or other factors have changed in the area affected by the regulation. Also, discuss why the agency's decision, consistent with applicable law, will minimize the economic impact of regulations on small businesses.

This regulatory action does not include a periodic review or small business impact review.

Public Comment

Summarize all comments received during the public comment period following the publication of the previous stage, and provide the agency's response. Include all comments submitted: including those received on Town Hall, in a public hearing, or submitted directly to the agency. If no comment was received, enter a specific statement to that effect.

Commenter	Comment	Agency response
N/A	N/A	N/A

No comments were received.

Public Participation

Indicate how the public should contact the agency to submit comments on this regulation, and whether a public hearing will be held, by completing the text below.

The Virginia Board of Accountancy is providing an opportunity for comments on this regulatory proposal, including but not limited to (i) the costs and benefits of the regulatory proposal, (ii) any alternative approaches, (iii) the potential impacts of the regulation, and (iv) the agency's regulatory flexibility analysis stated in that section of this background document.

Anyone wishing to submit written comments for the public comment file may do so through the Public Comment Forums feature of the Virginia Regulatory Town Hall web site at: <https://townhall.virginia.gov>. Comments may also be submitted by mail, email or fax to:

Virginia Board of Accountancy
 9960 Mayland Dr. Suite 402
 Henrico, VA 23233
 Phone: (804) 367-8505
 E-mail: boa@boa.virginia.gov
 Fax: (804) 527-4409

In order to be considered, comments must be received by 11:59 pm on the last day of the public comment period.

A public hearing will not be held following the publication of this stage of this regulatory action.

Detail of Changes

List all regulatory changes and the consequences of the changes. Explain the new requirements and what they mean rather than merely quoting the text of the regulation. For example, describe the intent of the language and the expected impact. Describe the difference between existing requirement(s) and/or agency practice(s) and what is being proposed in this regulatory change. Use all tables that apply, but delete inapplicable tables.

If an existing VAC Chapter(s) is being amended or repealed, use Table 1 to describe the changes between the existing VAC Chapter(s) and the proposed regulation. If the existing VAC Chapter(s) or sections are being repealed and replaced, ensure Table 1 clearly shows both the current number and the new number for each repealed section and the replacement section.

Table 1: Changes to Existing VAC Chapter(s)

Current chapter-section number	New chapter-section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
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18VAC5-22-20	N/A	Fee schedule. The CPA re-exam fee is \$20.	Eliminate the re-exam fee.
18VAC5-22-30	N/A	Refers to the Code of Virginia to determine whether a Virginia licensee is providing services.	Repeal due to redundancy.
18VAC5-22-50	N/A	The determination of a person's or firm's principal place of business is based on "reasonable judgement."	Outlines the specific circumstances in which Virginia would be considered the principal place of business. This change is intended to enhance public clarity and understanding.
18VAC5-22-80	N/A	Outlines examination requirements. A person who fails a section of the CPA exam cannot retake that section until the next quarter of the calendar year.	A person who fails a section of the CPA exam can retake that section as soon as the failing grade is released. Negligence during the licensure process will affect the privilege of licensure. This change is intended to reduce regulatory and time burdens for CPA candidates re-taking the exam.
18VAC5-22-130	N/A	The section references the Code of Virginia regarding the requirements for owners of firms who are not licensees.	This change is intended to reiterate and clarify the requirements of the Virginia Code – it will include that the firm must be at least 51 percent owned by licensees and should list a Virginia licensee as the firm's principal licensee.
18VAC5-22-150	N/A	In order to comply with Virginia Code, every licensed firm must comply with the components of the peer review program.	This change is intended to reiterate and clarify the requirements of the Virginia Code – it will clarify that the rule applies specifically to Virginia firms that fall within the scope of practice, and that they must enroll in a peer review program approved by the board.
18VAC5-22-170	N/A	Outlines circumstances that the board must be notified of.	Adds a circumstance: Any change in ownership, operating status, or structure of a Virginia CPA firm.
18VAC5-22-180	N/A	For Virginia licenses expiring on June 30, 2019 or later, the VA licensee shall renew annually on or before June 30	Remove "For Virginia licenses expiring on June or later," since it is not needed. The regulatory requirement remains the same (must renew on or before June 30). This is a technical amendment for enhanced clarity.