



Virginia Department of Planning and Budget **Economic Impact Analysis**

18 VAC 5-22 Board of Accountancy Regulations
Board of Accountancy
Town Hall Action/Stage: 5176 / 8824
January 17, 2020

Summary of the Proposed Amendments to Regulation

The Board of Accountancy (Board) proposes to require that certified public accountant (CPA) licensees notify the Board within 30 days of 1) any administrative disciplinary action that the licensee is the subject of or party to before any court, agency of the state or federal government, branch of the U.S. armed forces, or before the American Institute of Certified Public Accountants, the Virginia Society of Certified Public Accountants or their successors, 2) any conviction concerning a felony or misdemeanor, regardless of whether sentence is imposed, suspended, or executed, 3) any guilty plea or plea of nolo contendere, 4) any final judgment rendered against the holder in a civil court of law, or 5) any receipt of a peer review report or a Public Company Accounting Oversight Board firm inspection report containing criticisms of or identifying potential defects in the firm's quality control systems. The Board also proposes to: a) have licensure applications expire after six years, b) have licenses that start on or after March 1 not expire until June 30 of the following year, c) add current guidance document text on continuing professional education (CPE) to the regulation, and d) add clarifying text.

Background

The items the Board proposes to require licensees to report within 30 days are currently asked to be self-reported in various combinations when the following forms are filled out: exam application, license application, license renewal, and license reinstatement. The current regulation does not ask for such self-reporting outside of the forms.

There is no current expiration date on licensure applications. Under the current regulation, all licenses expire on June 30, regardless of when they start.

Estimated Benefits and Costs

According to Board staff, the Board would use the information required to be reported within 30 days to make decisions on discipline. To the extent this proposed requirement is complied with,¹ this would allow the Board to receive relevant information considerably sooner. Currently, the information is not requested before annual license renewal. Appropriate discipline to help protect the public could be meted out potentially several months sooner than without the proposed requirement.

The Board's website has a CPA Licensure Lookup feature.² Members of the public considering hiring a CPA can check licensure status and any discipline received for CPAs being considered for hire. Since as described above the proposal to report information within 30 days would likely result in discipline occurring considerably sooner, that information would also be recorded in CPA Licensure Lookup sooner. This would allow consumers to be better informed in considering potential CPAs to hire.

According to Board staff, under the current regulation an applicant can submit an application for licensure before having completed all requirements for licensure. The Board's proposal to have licensure applications expire after six years, and thus require that a new application be submitted, would effectively allow the Board to require that the applicant demonstrate continued competence. To the extent that objective is achieved, this would be beneficial for the public, though costly for the applicant who would have to pay another application fee (currently \$75) and perhaps complete additional activities or courses to demonstrate continued competence.

Under the current regulation, by having all licenses expire on June 30 regardless of when they start, some new licenses are very short in duration and are not prorated. The proposal to have licenses that start on or after March 1 not expire until June 30 of the following year is substantially beneficial for affected CPAs.

¹ The incentive to not report negative information may be countered by fines or harsher discipline than otherwise would be meted if found out by non-reported means after 30 days.

² See <https://secure1.boa.virginia.gov/Verification/>

Businesses and Other Entities Affected

The proposed amendments affect the 30,000 CPAs³ in the Commonwealth, as well as CPA licensure applicants. Since adverse impact is indicated if there is any increase in net cost or reduction in net revenue for any entity, even if the benefits of the proposal exceed the costs for all entities combined, adverse impact is indicated for this action because costs would increase for those applicants whose application for licensure expires after six years and who chose to submit a new application and pay the corresponding fees and demonstrate continued competence as instructed by the Board. Data are not available to indicate the number of persons who may be affected in this way.

Small Businesses⁴ Affected:

The proposed amendments do not appear to directly affect small businesses.

Localities⁵ Affected⁶

The proposed amendments neither disproportionately affect any particular locality nor introduce costs for local governments.

Projected Impact on Employment

The proposed amendments do not appear to affect total employment.

Effects on the Use and Value of Private Property

The proposed amendments do not substantially affect private property, and do not affect real estate development costs.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order 14 (as amended, July 16, 2018). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

³ Approximate figures provided by the Board.

⁴ Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

⁵ “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

⁶ § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.

Adverse impacts: Pursuant to Code § 2.2-4007.04(D): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.