

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 725 Public Accountancy  
**SPONSOR(S):** Boyd  
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 796

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Business & Professional Regulation Subcommittee	13 Y, 0 N	Butler	Luczynski
2) Government Operations Appropriations Subcommittee			
3) Regulatory Affairs Committee			

### SUMMARY ANALYSIS

Before an applicant who has not passed the CPA examination in any state may be licensed in this state as a certified public accountant (CPA), the applicant must pass a licensure exam, complete one year of work experience related to accounting, complete at least 150 semester hours of college education with a concentration in accounting and business, and show that he or she has good moral character.

Currently, an applicant may take the licensure exam after completing 120 semester hours or 160 quarter hours of college education.

The bill makes two changes to the requirements for licensure. First, the quarter hours requirement to take the licensure exam is increased from 160 quarter hours to 180 quarter hours. This increase is in line with the generally accepted conversion rate between semester hours and quarter hours. Second, an applicant must show that he or she has good moral character before taking the licensure exam.

After passing the licensure examination, the applicant must also complete an education requirement and one year of work experience before he or she may apply for an initial CPA license. Existing law requires that the applicant also show that he or she has good moral character at the time of application for initial licensure.

The bill extends by two years the deadline for licensees with inactive or delinquent licenses to receive partial amnesty related to the continuing education requirements necessary to reactivate their license. Qualified licensees will have to complete 120 hours of continuing education, compared to a possible 280 hours without the amnesty.

The bill may have an indeterminate impact on state funds and does not appear to have a fiscal impact on local governments.

The bill provides an effective date of July 1, 2014.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### Current Situation

The Board of Accountancy (Board) within the Department of Business and Professional Regulation (Department) is the agency charged with regulating the practice of public accountancy. The Division of Certified Public Accounting (Division) 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. The offices of the division are located in Gainesville.

##### Licensure for Certified Public Accountants

An applicant to become a certified public accountant (CPA) must pass the licensure examination as outlined in s. 473.306, F.S., and the rules promulgated by the Board. To be eligible to take the exam, an applicant must complete 120 semester hours or 160 quarter hours of coursework from an accredited college or university with a concentration in accounting and business courses as specified by the Board in rule.<sup>1</sup>

In addition to completing the licensure exam successfully, s. 473.308, F.S., requires an applicant complete 150 semester hours<sup>2</sup> of college education, one year of work experience, and demonstrate "good moral character."

Section 473.308(6), F.S., defines "good moral character" and further allows the Board to deny an applicant licensure should an applicant fail to demonstrate good moral character. Specifically:

- (a) "Good moral character" means a personal history of honesty, fairness, and respect for the rights of others and for the laws of this state and nation.
- (b) The board may refuse to certify an applicant for failure to satisfy this requirement if:
  - 1. The board finds a reasonable relationship between the lack of good moral character of the applicant and the professional responsibilities of a certified public accountant; and
  - 2. The finding by the board of lack of good moral character is supported by competent substantial evidence.
- (c) When an applicant is found to be unqualified for a license because of a lack of good moral character, the board shall furnish to the applicant a statement containing the findings of the board, a complete record of the evidence upon which the determination was based, and a notice of the rights of the applicant to a rehearing and appeal.

Currently, the Board determines whether an applicant possesses good moral character only after the applicant has already successfully passed the licensure exam. However, good moral character is an ongoing requirement as s. 473.323, F.S., explicitly permits the Board to discipline for failure to maintain good moral character.

##### Continuing Education Requirements

Section 473.313(2), F.S., provides that a CPA who holds an inactive or delinquent license on June 30, 2012, may reactivate his or her license by completing 120 hours of continuing education courses, so long as the licensee notifies the Board of Accountancy of his or her intention by December 31, 2012, and completes the reactivation by June 30, 2014. If the licensee qualifies within the limited amnesty period, he or she will be required to complete 120 hours of continuing education, regardless of how

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<sup>1</sup> Rule 61H1-27.001, F.A.C., defines which accredited colleges and universities meet the criteria for this subsection.

<sup>2</sup> See Section III, C. Drafting Issues or Other Comments.

long the license has been inactive or delinquent. After this period of amnesty expires, an inactive licensee may be required to complete up to 280 hours of continuing education before reactivating his or her license.<sup>3</sup>

### **Effect of the Bill**

#### **Licensure for Certified Public Accountants**

The bill makes two alterations to the requirements an applicant must meet before he or she may take the licensure examination and become a certified public accountant.

First, the bill amends s. 473.306, F.S., to raise the requirement from 160 quarter hours to 180 quarter hours of college education required before an applicant may take the licensure exam. This increase is in line with the generally accepted conversion rate of 2 semester hours to 3 quarter hours used by many universities.<sup>4</sup>

The bill also amends s. 473.306, F.S., to require an applicant show that she or he has good moral character before the applicant may take the licensure exam. The bill uses the same definition of “good moral character” as s. 473.308, F.S., and applies the same requirements for denial as s. 473.308, F.S., currently requires for applicants who have passed the licensure exam.

The practical effect of this change would move the judgment of whether an applicant demonstrates “good moral character” before taking the licensure exam, rather than after the CPA Exam is successfully completed, but before the Board approves an applicant to be licensed.

However, the bill does not remove the requirement in s. 473.308, F.S., that an applicant demonstrate “good moral character” after successfully completing the licensure exam. It appears that an applicant will have to demonstrate good moral character both before they take the licensure exam and after successfully passing the exam but before being licensed. The earlier requirement to demonstrate good moral character may make the later requirement redundant, or may expedite the second demonstration if it is still necessary.

#### **Continuing Education Requirements**

The bill amends s. 473.313(2), F.S., to extend the previous amnesty period by two years. This means that CPA’s who hold an inactive or delinquent license on June 30, 2014, have an opportunity to reenter the profession by completing 120 hours of continuing education courses, so long as the licensee notifies the Board of Accountancy of their intention by December 31, 2014, and completes the reactivation by June 30, 2016. If the licensee qualifies within the limited amnesty period, he or she will be required to complete 120 hours of continuing education, regardless of how long the license has been inactive or delinquent.

### **B. SECTION DIRECTORY:**

**Section 1** amends s. 473.306, F.S., to increase the quarter hour requirement to take the licensure exam from 160 quarter hours to 180 quarter hours and to require an applicant show that they possess good moral character before they may take the licensure exam.

**Section 2** amends s. 473.313, F.S., extends the continuing education amnesty two additional years.

**Section 3** provides an effective date of July 1, 2014.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

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<sup>3</sup> Rule 61H1-33.006, F.A.C.

<sup>4</sup> No Florida statute appears to set an official conversion rate of 2 semester hours to 3 quarter hours; however, at least one Florida statute implies this conversion rate, *see* s. 1005.02, F.S. (stating “at least 60 semester hours or 90 quarter hours of study or the equivalent”).

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Indeterminate. The last time the amnesty period was extended, approximately 200 inactive licenses were reactivated. The Department expects that if a similar number of licenses are reactivated the license fees could generate between \$60,000 and \$81,000.<sup>5</sup>

2. Expenditures:

The Department estimates expenditures, between \$4,800 and \$6,460, depending on the number of reactivated licenses.<sup>6</sup>

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Indeterminate. An applicant will have to pay any fees associated with proving their good moral character both at time of application for the licensure exam, and after passing the licensure exam when applying for licensure.

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:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Section 473.308, F.S., requires 150 semester hours for licensure, but does not provide a quarter hours equivalent. Nevertheless, the Board of Accountancy rule sets the quarter hour equivalent for licensure at 200 hours. This licensure requirement is based on a conversion rate of 3 semester hours to 4 quarter hours or the same rate currently used for examination purposes in s. 473.306, F.S. This bill changes the conversion rate for examination to 2 semester hours to 3 quarter hours. To avoid potential confusion and to support rulemaking, the semester hour to quarter hour conversion rate for chapter

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<sup>5</sup> Florida Department of Business and Professional Regulation, Agency Analysis of 2014 House Bill 725, p. 2 (Feb. 15, 2014) (on file with the Business & Professional Regulation Subcommittee).

<sup>6</sup> *Id.*

473, F.S., should be clarified or at least the quarter hour equivalent for licensure should be provided for in s. 473.308, F.S.

#### **IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

None.