

STORAGE NAME: h0405.brc

DATE: December 21, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS REGULATION AND CONSUMER AFFAIRS
ANALYSIS**

BILL #: HB 405

RELATING TO: Public Accountancy

SPONSOR(S): Representative J. Miller

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

(1) BUSINESS REGULATION AND CONSUMER AFFAIRS

(2)

(3)

(4)

(5)

I. SUMMARY:

The bill addresses three subject areas relating to the practice of public accountancy.

Florida statutes currently allows a certified public accountant (CPA) to use five years of out-of-state employment to meet certain licensure requirements in Florida. The employment may be substituted for educational standards which must be met in excess of a baccalaureate degree. The authority for this alternative work experience allowance is currently scheduled to automatically repeal on August 1, 2000. The bill extends the automatic repeal to October 1, 2005.

Currently, partnerships, corporations and limited liability companies are authorized to practice accounting if at least two-thirds of the controlling ownership of the business entity is comprised of licensed CPAs. The bill allows a simple majority, 51%, of the ownership of a CPA firm to be held by CPAs in order to conduct accounting services.

Persons who are not licensed in Florida as a CPA are currently prohibited from using the title "certified public accountant" or "public accountant" and are prohibited from using the designation "CPA." The bill allows a person licensed in another state as a CPA to use the term "certified public accountant" or to use the abbreviation "CPA." However, the bill requires the out-of state CPA to include the state in which he or she is licensed when using these references. A statement that the out-of-state CPA is not licensed to practice in Florida would also be required when using the title or abbreviation.

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

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Chapter 473, F.S., provides for the regulation of certified public accountants (CPA) under the jurisdiction of the Board of Accountancy (Board) within the Department of Business and Professional Regulation, Division of Certified Public Accountants. The practice of public accounting is defined in s. 473.302, F.S., to include offering or performing services using accounting skills, as well as, services related to financial statements, and “. . . tax, management advisory, and consulting services . . .” Qualifications for licensure include meeting the requirements for good moral character, formal education, and successful completion of the licensure examination.

In order to take the CPA licensure examination, certain education qualifications must be met. Section 473.306(2)(b)2, F.S., in part, requires at least 30 semester or 45 quarter hours in excess of the hours required for a baccalaureate degree. This is commonly referred to as the 5th year/150 hour requirement which is also a part of the national standards of the American Institute of Certified Public Accountants (AICPA). Many, but not all, states have adopted this standard for licensure.

Among the requirements for licensure, s. 473.308(4), F.S., provides that an applicant may be approved to substitute five years of out-of state work experience for the extra education credits required beyond the baccalaureate degree.

Chapter 473, F.S., further provides standards for operating as a CPA, such as, limitations on commissions or referral fees, contingent fees, client privileged communications, and prohibited activities, generally. Disciplinary proceedings and penalties are also provided. With exceptions, an accountant is limited to conducting accounting services under the license issued by the Board.

Section 473.309, F.S., allows business entities, partnerships, corporations and limited liability companies, to practice public accounting. However, two thirds of the financial interest and voting rights must be held by CPAs. This ownership requirement is also contained in the AICPA model act and professional code of conduct.

Currently, s. 473.322, F.S., prohibits a person from using any designation or title to indicate that person is a CPA unless the person has an active Florida license.

C. EFFECT OF PROPOSED CHANGES:

The bill amends s. 473.308, F.S., to extend the period in which a person may substitute work experience for certain education credits. The bill extends from August 1, 2000 to October 1, 2005, the time period allowed to make application for licensure when substituting five years of work experience for the college credits required beyond a baccalaureate degree.

The bill amends s. 473.309, F.S., to reduce the ownership percentage of CPA business entities from two-thirds ownership to majority ownership. The business entity could then be owned by a simple majority of CPAs.

The bill continues to prohibit the use of CPA designations in Florida unless the person is licensed. However, the bill amends s. 473.322, F.S., to allow a CPA licensed in another state to include in any CPA designation a reference to the state where the CPA is licensed and a reference to the fact that the CPA is not licensed or qualified to practice public accounting in Florida if that is the case.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 473.308, F.S., to extend the period for application for licensure from August 1, 2000 to October 1, 2005 when work experience is substituted for college education credits as part of the application.

Section 2. Amends s. 473.309, F.S., to reduce the ownership percentage of CPA business entities from two-thirds ownership to majority ownership.

Section 3. Amends s. 473.322, F.S., to allow CPAs licensed in other jurisdictions to use CPA designations in Florida, but requires the licensure state to be included and a statement that the CPA is not licensed to practice in Florida.

Section 4. Provides that the act shall take effect July 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The provisions of the bill do not address or impact state government revenues.

2. Expenditures:

The bill does not require state government expenditures.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

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1. Revenues:

The provisions of the bill do not address or impact local government revenues.

2. Expenditures:

The bill does not require local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill is designed to address several provisions of the public accountancy statute, however, these changes would not have a direct economic impact on licensees.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties or municipalities have to raise revenue in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

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VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON BUSINESS REGULATION AND CONSUMER AFFAIRS:

Prepared by:

Staff Director:

Alan W. Livingston

Rebecca R. Everhart