

**STORAGE NAME:** h0405s1z.brc  
**DATE:** May 8, 2000

**\*\*AS PASSED BY THE LEGISLATURE\*\***  
**CHAPTER #:** 00-114, Laws of Florida

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
BUSINESS REGULATION & CONSUMER AFFAIRS  
FINAL ANALYSIS**

**BILL #:** CS/HB 405

**RELATING TO:** Public Accountancy

**SPONSOR(S):** Committee on Business Regulation & Consumer Affairs and Rep. J. Miller

**TIED BILL(S):** None

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

- (1) BUSINESS REGULATION & CONSUMER AFFAIRS YEAS 8 NAYS 0
  - (2) SENATE REGULATED INDUSTRIES W/D
  - (3)
  - (4)
  - (5)
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**I. SUMMARY:**

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

Florida statutes currently allow 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 act 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 act 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 act specifies that a person licensed to practice public accounting under the laws of another state, territory or foreign jurisdiction may not use prohibited titles or the CPA designation unless the person holds an active Florida license.

The act 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 of the entity 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 CHANGES:**

The act amends s. 473.308, F.S., to extend the period in which a person may substitute work experience for certain education credits. The act 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 required extra baccalaureate credits.

The act 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 CPA's.

The act continues to prohibit the use of CPA designations in Florida unless the person is licensed in Florida. However, the act further states that a person licensed to practice public accounting under the laws of another state, territory or foreign jurisdiction may not use prohibited titles or the CPA designation unless the person holds an active Florida license.

**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 by CPAs to majority ownership.

Section 3. Amends s. 473.322, F.S., to prohibit the use of the titles "certified public accountant" or "public accountant" and to prohibit the use of the designation "CPA" unless the person holds an active license to practice public accounting 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 act do not address or impact state government revenues.

2. Expenditures:

The act does not require state government expenditures.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

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

2. Expenditures:

The act does not require local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The act is designed to address several provisions of the public accountancy statute, however, these changes would not have a direct economic impact on licensees. Due to the reduction of the percentage of controlling interest by CPAs, it will allow more diverse ownership of businesses which practice accounting.

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

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

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The act 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:

The act 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:

CS/HB 405 passed the House on March 15, 2000, by a vote of 115 yeas and 0 nays. The bill passed the Senate on March 22, 2000, by a vote of 34 yeas and 0 nays. The bill was signed into law on April 11, 2000 as chapter 00-114, Laws of Florida. The effective date of the act is July 1, 2000.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The committee substitute differs from the original bill in two areas. The committee substitute includes three where-as clauses which state that it is the intent of the Legislature to: protect persons who receive public accounting services; prevent confusion in the provision of accounting services; and ensure that persons obtaining accounting services receive the services from persons who are licensed and regulated in Florida.

The committee substitute deletes language of the original bill which would have allowed a CPA licensed in another state to include in any CPA designation a reference to the state where the CPA is licensed. It also deletes the provision which would have required a reference to the fact that the CPA is not licensed or qualified to practice public accounting in Florida if that is the case. The committee substitute includes language which states that a person may not use certain titles or designations that indicate a person holds a license to practice public accounting under chapter 473, F.S., or the laws of any other state, territory or foreign jurisdiction unless the person holds an active Florida license.

VII. SIGNATURES:

**COMMITTEE ON BUSINESS REGULATION & CONSUMER AFFAIRS:**

Prepared by:

Staff Director:

Alan W. Livingston

Rebecca R. Everhart

**FINAL ANALYSIS PREPARED BY THE COMMITTEE ON BUSINESS REGULATION & CONSUMER AFFAIRS:**

Prepared by:

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