

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/HB 373 Public Accountancy

**SPONSOR(S):** Government Operations Appropriations Subcommittee; Raulerson

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 636

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Business & Professions Subcommittee	13 Y, 0 N	Butler	Luczynski
2) Government Operations Appropriations Subcommittee	10 Y, 0 N, As CS	White	Topp
3) Regulatory Affairs Committee			

### SUMMARY ANALYSIS

Certified Public Accountants (CPA) and firms who perform accounting services are licensed in Florida and regulated by the Board of Accountancy within the Department of Business and Professional Regulation.

The bill amends the definition of licensed firm or public accounting firm to mean a sole proprietor, partnership, corporation, limited liability company, firm, or other legal entity licensed under s. 473.3101, F.S. The bill further clarifies the practice requirements for partnerships, corporations, limited liability companies, and other business entities practicing public accounting.

The bill amends s. 473.3101, F.S., to clarify who must hold a license under this section:

- Any firm with an office in this state which performs services as defined in s. 473.302(8)(a).
- Any firm with an office in this state which uses the title "CPA," "CPA firm," or any other title, designation, words, letters, abbreviations, or device tending to indicate that it is a CPA firm. The board shall define by rule what constitutes a CPA firm.
- Any firm that does not have an office in this state but performs the services described in s. 473.3141(4) for a client having its home office in this state. The board shall define by rule what constitutes an office.

The bill provides that an applicant for licensure under this section must file an application for licensure with the department and supply the information the board requires. An application must be made upon the affidavit of a sole proprietor, general partner, shareholder, or member who is a certified public accountant.

The bill also amends the definition of "quality review" to clearly reference and include a "peer review," which is defined in s. 473.3125, F.S.

The bill has an insignificant negative fiscal impact on the Board of Accountancy due to a potential decrease in revenues from the reduction of the number of firm licenses issued due to the clarification of the definition of "licensed firm and public accounting firm."

The bill provides an effective date of July 1, 2015.

# 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, 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 pursuant to statute.

#### **Public Accounting Licensure**

Section 473.302(8)(a), F.S., describes several of the services offered by certified public accountants (CPA) in Florida, and defines the practice of public accounting to mean:

Offering to perform or performing for the public one or more types of services involving the expression of an opinion on financial statements, the attestation as an expert in accountancy to the reliability or fairness of presentation of financial information, the utilization of any form of opinion or financial statements that provide a level of assurance, the utilization of any form of disclaimer of opinion which conveys an assurance of reliability as to matters not specifically disclaimed, or the expression of an opinion on the reliability of an assertion by one party for the use by a third party;

To engage in the practice of public accounting, as defined by s. 473.302(8)(a), F.S., each individual, corporation, or firm in Florida must obtain a license, provided by s. 473.3101, F.S.

For a firm in Florida to use a title such as "CPA" or "CPA Firm" or "any other title, designation, words, letters, abbreviations, or device tending to indicate that the firm practices public accounting," such firms are required to obtain a license under s. 473.3101, F.S.<sup>1</sup> Further, Florida law explicitly defines both a "licensed audit firm" and a "public accounting firm" as firms that are licensed under s. 473.3101, F.S.<sup>2</sup>

#### **Quality Review**

A quality review is defined by s. 473.316, F.S., as a:

[S]tudy, appraisal, or review of one or more aspects of the professional work of an accountant in the practice of public accountancy which is conducted by a professional organization for the purpose of evaluating quality assurance required by professional standards, including a quality assurance or peer review.

#### **Effect of the Bill**

The bill clarifies that the definition of "licensed firm" or "public accounting firm" in s. 473.302, F.S., means a sole proprietor, partnership, corporation, limited liability company, firm, or other legal entity licensed under s. 473.3101, F.S.

The bill amends the practice requirements for partnerships, corporations, limited liability companies, and other business entities practicing public accounting to include that these entities do not meet the requirements of s. 473.3101(1)(b) unless the current requirements in the section are met.

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<sup>1</sup> Section 473.3101(1)(b), F.S.

<sup>2</sup> Section 473.302(7), F.S.

The bill amends s. 473.3101, F.S., to clarify who must hold a license under this section:

- Any firm with an office in this state which performs services as defined in s. 473.302(8)(a).
- Any firm with an office in this state which uses the title “CPA,” “CPA firm,” or any other title, designation, words, letters, abbreviations, or device tending to indicate that it is a CPA firm. The board shall define by rule what constitutes a CPA firm.
- Any firm that does not have an office in this state but performs the services described in s. 473.3141(4) for a client having its home office in this state. The board shall define by rule what constitutes an office.

The bill provides that an applicant for licensure under this section must file an application for licensure with the department and supply the information the board requires. An application must be made upon the affidavit of a sole proprietor, general partner, shareholder, or member who is a certified public accountant.

The bill amends s. 473.316, F.S., to clarify that the definition of “quality review” includes a “peer review,” which is defined in s. 473.3125, F.S., as “the study, appraisal, or review by one or more independent certified public accountants of one or more aspects of the professional work of a licensee.”

The bill amends s. 473.3125, F.S., to clarify the definition of a licensee as a licensed firm or public accounting firm as defined in s. 473.302(7), F.S., and engaged in the practice of public accounting as defined in s. 473.302(8)(a) that is required to be licensed under 473.3101.

The bill amends s. 473.322, F.S., to change references from “licensed audit firm” to “licensed firm.”

#### B. SECTION DIRECTORY:

**Section 1** amends s. 473.302, F.S., to clarify the definition of “licensed firm” and “public accounting firm.”

**Section 2** amends s. 473.309, F.S., to clarify practice requirements for partnerships, corporations, limited liability companies, and other business entities practicing public accounting.

**Section 3** amends s. 473.3101, F.S., to clarify who must hold a license under this section.

**Section 4** amends s. 473.316, F.S., to clarify that a “quality review” includes a “peer review.”

**Section 5** amends s. 473.3125, F.S., to clarify the definition of a licensee as a licensed firm or public accounting firm.

**Section 6** amends s. 473.322, F.S., to change references from “licensed audit firm” to “licensed firm.”

**Section 7** provides an effective date of July 1, 2015.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

The bill has an insignificant negative fiscal impact on the Board of Accountancy within the Department of Business and Professional Regulation. The bill potentially reduces the number of accountancy firms subject to the licensing fee and those subject to fines imposed by the Board of Accountancy. The Department of Business and Professional Regulation estimates the projected revenue loss as a result of the bill between \$36,127 and \$47,094.<sup>3</sup>

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<sup>3</sup> Email from the Department of Business and Professional Regulation on file with the House Government Operation Appropriations Subcommittee (Mar. 6, 2015).

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

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:

The bill directs the DBPR to define by rule what constitutes a CPA firm.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

### IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 10, 2015, the Government Operations Appropriations Subcommittee adopted a strike-all amendment and reported the bill favorably as a committee substitute. The amendment:

- Amends the definition of licensed firm or public accounting firm to mean a sole proprietor, partnership, corporation, limited liability company, firm, or other legal entity licensed under s. 473.3101, F.S.
- Clarifies the practice requirements for partnerships, corporations, limited liability companies, and other business entities practicing public accounting to include that these entities do not meet the requirements of s. 473.3101(1)(b) unless the current requirements in the section are met.
- Amends s. 473.3101, F.S., to clarify who must hold a license under this section:
  - Any firm with an office in this state which performs services as defined in s. 473.302(8)(a).
  - Any firm with an office in this state which uses the title "CPA," "CPA firm," or any other title, designation, words, letters, abbreviations, or device tending to indicate that it is a CPA firm. The board shall define by rule what constitutes a CPA firm.

- Any firm that does not have an office in this state but performs the services described in s. 473.3141(4) for a client having its home office in this state. The board shall define by rule what constitutes an office.
- Provides that an applicant for licensure under this section must file an application for licensure with the department and supply the information the board requires. An application must be made upon the affidavit of a sole proprietor, general partner, shareholder, or member who is a certified public accountant.
- Amends s. 473.3125, F.S., to clarify the definition of a licensee as a licensed firm or public accounting firm as defined in s. 473.302(7), F.S., and engaged in the practice of public accounting as defined in s. 473.302(8)(a) that is required to be licensed under 473.3101.
- Amends s. 473.322, F.S., to change references from “licensed audit firm” to “licensed firm.”

This analysis is drafted to the committee substitute as passed by the Government Operations Appropriations Subcommittee.