

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Commerce and Tourism

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BILL: SB 616

INTRODUCER: Senator Gruters

SUBJECT: Public Accountancy

DATE: March 12, 2021

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Oxamendi</u>	<u>Imhof</u>	<u>RI</u>	<b>Favorable</b>
2.	<u>Reeve</u>	<u>McKay</u>	<u>CM</u>	<b>Pre-meeting</b>
3.	_____	_____	<u>RC</u>	_____

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**I. Summary:**

SB 616 permits a nonresident Florida-licensed certified public accountant (CPA) to renew his or her license if the CPA has complied with the continuing education requirements in the state in which his or her office is located. However, a nonresident CPA must satisfy Florida's ethics-related continuing education requirements. If the state in which the nonresident CPA's office is located does not have continuing education requirements as a condition for license renewal, the nonresident CPA must comply with the continuing education requirements in Florida.

The bill permits a CPA to place his or her license in a retired status. If a licensee on retired status reenters the workforce in a position that has an association with accounting or any of the CPA services, the licensee automatically loses his or her retired status. A retired CPA may continue to be engaged in specific activities but may not offer professional services that require the use of the CPA title. A retired CPA may reactivate her or his license in a conditional manner determined by the Florida Board of Accountancy, which must require the payment of fees and the completion of any required continuing education.

The bill takes effect July 1, 2021.

**II. Present Situation:**

**Certified Public Accountants**

The Florida Board of Accountancy (board) within the Department of Business and Professional Regulation (DBPR) is responsible for regulating and licensing the more than 38,000 active and 2,800 inactive CPAs and more than 5,500 accounting firms in Florida.<sup>1</sup> The Division of Certified

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<sup>1</sup> Department of Business and Professional Regulation, *Fiscal Year 2019-2020 Annual Report*, page 20, available at [www.myfloridalicense.com/DBPR/os/documents/DivisionAnnualReport\\_FY1920.pdf](http://www.myfloridalicense.com/DBPR/os/documents/DivisionAnnualReport_FY1920.pdf) (last visited Mar. 12, 2021).

Public Accounting provides administrative support to the nine-member board, which consists of seven CPAs and two laypersons.<sup>2</sup>

A CPA is an individual who holds a license to practice public accounting in this state under ch. 473, F.S., or an individual who is practicing public accounting in this state pursuant to the practice privilege granted in s. 473.3141, F.S.<sup>3</sup>

The practice of public accounting includes offering to the public the performance of services involving audits, reviews, compilations, tax preparation, management advisory or consulting services, or preparation of financial statements.<sup>4</sup> To engage in the practice of public accounting,<sup>5</sup> an individual or firm must be licensed pursuant to ss. 473.308 or 473.3101, F.S., and business entities must meet the requirements of s. 473.309, F.S.

### **CPA Licensing**

Section 473.308, F.S., provides licensing requirements for CPAs. To be licensed as a certified public accountant, a person must be of good moral character, pass the licensure exam, and have at least 150 semester hours of education with a focus on accounting and business.<sup>6</sup> CPA licenses must be renewed on a biennial basis through procedures adopted by the DBPR.<sup>7</sup>

#### ***License by Endorsement***

Individuals who are licensed as a CPA in another state or territory, as well as individuals who are not licensed in another state or territory but have met certain requirements, may apply to the board for licensure by endorsement.<sup>8</sup>

If the applicant is not licensed and has never been licensed in another state or territory, the applicant must meet the education, work experience, and good moral character requirements and have passed a national, regional, state, or territorial licensing examination that is substantially equivalent to the examination required by s. 473.306, F.S.<sup>9</sup>

If the applicant is licensed in another state or territory, the applicant must:

- Have satisfied licensing criteria that were substantially equivalent to the licensure criteria in Florida at the time the license was issued;<sup>10</sup>
- Have passed a national, regional, state, or territorial licensing examination with examination criteria that were substantially equivalent to the examination criteria required in this state and

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<sup>2</sup> Section 473.303, F.S.

<sup>3</sup> See s. 473.302(4), F.S. Section 473.3141, F.S., permits a person who does not have an office in Florida to practice public accountancy in this state without obtaining a license under ch. 473, F.S., notifying or registering with the board, or paying a fee if the person meets the required criteria.

<sup>4</sup> Section 473.302(8), F.S.

<sup>5</sup> Section 473.302(8), F.S., defines the terms “practice of,” “practicing public accountancy,” and “public accounting.”

<sup>6</sup> Sections 473.308(2)-(5), F.S.

<sup>7</sup> Section 473.311(2), F.S.

<sup>8</sup> Section 473.308(7), F.S.

<sup>9</sup> Section 473.308(7)(a), F.S., and Fla Admin. Code R. 61H1-29.003(1) (2021).

<sup>10</sup> Section 473.308(7)(b)1., F.S.

meet the education, work experience, and good moral character requirements, if the criteria for issuance of such a license were not substantially equivalent to Florida's criteria;<sup>11</sup> or

- Have held a valid license in another state or territory for at least 10 years before applying for a license in Florida, have passed a national, regional, state, or territorial licensing examination with examination criteria that were substantially equivalent to the examination criteria required in this state, and meet the education, work experience, and good moral character requirements.<sup>12</sup>

### ***Continuing Education***

CPAs, as part of the license renewal procedure, are required to submit proof satisfactory to the board that, during the 2 years prior to the application for renewal, they have successfully completed not less than 48 or more than 80 hours of continuing professional education programs in public accounting subjects approved by the board.<sup>13</sup> The board has the authority to prescribe by rule additional continuing professional education hours, not to exceed 25 percent of the total hours required, for failure to complete the hours required for renewal by the end of the reestablishment period.<sup>14</sup>

Not less than 10 percent of the total continuing education hours required by the board shall be in accounting-related and auditing-related subjects, as distinguished from federal and local taxation matters and management services.<sup>15</sup>

Not less than 5 percent of the continuing education shall be in ethics applicable to the practice of public accounting, including a review of the provisions of ch. 455, F.S., relating to the regulations of businesses and professions, ch. 473, F.S., and the related administrative rules. This requirement must be administered by providers approved by the board.<sup>16</sup>

### ***Inactive Licenses***

Section 473.313(1), F.S., permits Florida-licensed CPAs to request that their license be placed on inactive status. Licenses can also be placed on inactive status for failing to complete, or failure to report completion of, the continuing education requirements.<sup>17</sup> The board is authorized to adopt rules establishing fees for placing a license on inactive status, renewal of inactive status, and reactivation of an inactive license.<sup>18</sup>

A CPA may reactivate an inactive license by paying the DPBR a \$250 application fee<sup>19</sup> and providing certification that the CPA has completed the education requirements.<sup>20</sup> If a license that was placed on inactive status for failure to report completed continuing education requirements

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<sup>11</sup> Section 473.308(7)(b)2., F.S.

<sup>12</sup> Section 473.308(7)(b)3., F.S.

<sup>13</sup> Section 473.312(1)(a), F.S.

<sup>14</sup> *Id.*

<sup>15</sup> Section 473.312(1)(b), F.S.

<sup>16</sup> Section 473.312(1)(c), F.S.

<sup>17</sup> Sections 473.313(2) and (3), F.S.

<sup>18</sup> See Fla. Admin. Code R. 61H1-33.006 (2021).

<sup>19</sup> Fla. Admin. Code R. 61H1-31.006 (2021).

<sup>20</sup> Section 473.313(3), F.S.

is inactive on January 1, the applicant must submit a complete application to the board by March 15 immediately after the delinquent period.<sup>21</sup>

### **Retired Status**

Florida law does not currently provide CPAs the option of placing licenses into a retired status as an alternative to inactive status.

The American Institute of Certified Public Accountants (AICPA) estimated that, as of 2015, approximately 75 percent of its members would be eligible to retire by 2020.<sup>22</sup> In order to allow retirees to continue to serve their communities without remaining an active CPA in practice, the AICPA's Board of Directors and the National Association of State Boards of Accountancy Board of Directors each approved changes in the Uniform Accountancy Act to provide for the creation of a Retired-CPA status. The changes allow inactive CPAs at least 55 years of age to place the word "retired" after their CPA title, in lieu of "inactive," with appropriate registration with their State Board; offer volunteer tax preparation services; participate in government-sponsored business mentoring programs; and serve on the board of a non-profit organization. All of these activities must be uncompensated, and the applicant must have a license in good standing.<sup>23</sup>

## **III. Effect of Proposed Changes:**

### **Licensure by Endorsement**

The bill amends s. 473.308(7)(a), F.S., referring to applicants for licensure by endorsement who are not licensed in another state, to change the term "another" state to "any" state. The bill does not make the same change throughout s. 473.308, F.S., where the term "another" state is used in several instances.

As amended by the bill, s. 473.308(7)(a), F.S., appears to permit persons who have not been licensed as a CPA in *any* state, including Florida, to qualify for license by endorsement instead of persons who have not been licensed in any state *aside* from Florida.

This change in language would prevent a previously-licensed Florida CPA from using the licensure by endorsement process to regain a license. However, a person from Florida who has not been licensed as a CPA in any state or territory must still satisfy the licensing requirements of this state, whether they do so through the regular licensure qualification process or the licensure by endorsement process.

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<sup>21</sup> *Id.*

<sup>22</sup> American Institute of Certified Public Accountants, *Proposed Revisions to AICPA/NASBA Uniform Accountability Act 2015*, available at <https://www.aicpa.org/content/dam/aicpa/advocacy/state/downloadabledocuments/inactive-retired-exposure-draft-nov-2015.pdf> (last visited Mar. 12, 2021).

<sup>23</sup> Uniform Accountancy Act of 2018, s. 6(d).

### **Continuing Education**

The bill creates s. 473.311(1)(b), F.S., to permit a nonresident licensee seeking to renew his or her Florida license to comply with the continuing education requirements of the state in which his or her office is located. Under the bill, a nonresident licensee must still complete no less than 5 percent of the total continuing education hours required in ethics applicable to public accounting as administered by providers approved by the board.

The nonresident licensee must comply with all of Florida's continuing education requirements if the state in which the nonresident licensee's office is located does not have continuing education requirements as a condition for license renewal.

The bill also amends s. 473.312(1)(c), F.S., to require that a majority of the continuing education hours in ethics include a review of the provisions of the provisions of ch. 455, F.S., relating to the regulations of businesses and professions, ch. 473, F.S., and the related administrative rules.

### **Retired Status**

Under current law, a CPA licensed in Florida is not permitted to place his or license in a retired status. The bill amends s. 473.313, F.S., to permit a Florida-licensed CPA to submit an application to the DBPR to place his or her license in a retired status if the licensee:

- Is at least 55 years of age;
- Holds a current active or inactive license; and
- Is in good standing and not the subject of any sanction or disciplinary action.

Under the bill, a licensee in retired status that reenters the workforce in a position associated with accounting, or any related services defined in ss. 473.302(8)(a), (c), and (d), F.S., automatically loses his or her retired status. A CPA on retired status may continue to provide services utilizing accounting skills, as well as tax, management advisory, or consulting services, as defined in s. 473.302(8)(b), F.S., but may not provide certain accounting services that involve expressing an opinion on or preparing financial statements, as defined in ss. 473.302(8)(a), (c), and (d), F.S.

Retired licensees are permitted to use the title of "retired CPA" but may not offer or render professional services that require her or his signature and use of the CPA title, regardless of whether the word "retired" is attached to such title.

The bill authorizes a retired licensee to serve without compensation on a board of directors or board of trustees, provide volunteer tax preparation services, participate in a government-sponsored business mentoring program, and participate in an advisory role for a similar charitable, civic, or nonprofit organizations. A retired licensee may accept routine reimbursement for actual costs of travel and meals associated with volunteer services or de minimis per diem amounts paid to the retired licensee to cover such expenses as allowed by law.

Retired licensees are not required to maintain the continuing education requirements set forth in s. 473.312, F.S.

A retired licensee must affirm in writing his or her understanding of the limited types of activities in which he or she may engage while in retired status and that he or she has a professional duty to ensure that he or she holds the professional competencies necessary to participate in such activities.

A retired licensee may reactivate his or her license in a conditional manner determined by the board, which must require the payment of fees and the completion of any required continuing education.

#### **Effective Date**

The bill takes effect July 1, 2021.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

#### **V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

Section 19(a), Article VII of the State Constitution limits the authority of the legislature to enact legislation that imposes a new state tax or fee by requiring such legislation to be approved by a 2/3 vote in each chamber of the legislature. Section 19(e), Article VII of the Florida Constitution provides that a state tax or fee imposed, authorized, or raised must be contained in a separate bill that contains no other subject.

SB 616 permits a licensed CPA in retired status to reactivate his or her license in a conditional manner determined by the Florida Board of Accountancy. The bill requires that the conditions for the reactivation of a license in retired status must include the payment of fees. The board currently has the authority to impose a fee for the reactivation

of an inactive license. Because the bill requires the board to impose a fee of an unknown amount for the reactivation of a license in retired status, it is unclear if the voting and separate bill requirements found in the State Constitution apply to the bill.

**B. Private Sector Impact:**

Retired CPAs wishing to reactivate their licenses will be subject to reactivation fees in an amount determined by the board.

**C. Government Sector Impact:**

The DBPR estimates that the technological modifications required to administer the bill can be made with existing resources.

**VI. Technical Deficiencies:**

Line 129 of the bill refers to subsection (2) of s. 473.313, F.S., but the bill renumbers section (2) as paragraph (1)(a).

**VII. Related Issues:**

The bill creates s. 473.311(1)(b), F.S., permitting a nonresident licensee seeking a renewal of his or her Florida license to comply with the continuing education requirements of the state in which his or her office is located. It is unclear if these new provisions are intended to apply to territories as well as states. In comparison, existing provisions governing the renewal of CPA licenses in s. 473.308, F.S., include licensure requirements for persons licensed in other states *or* territories.

**VIII. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 473.308, 473.311, 473.312, and 473.313.

**IX. Additional Information:**

**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.