

**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 Regulated Industries

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BILL: SB 616

INTRODUCER: Senator Gruters

SUBJECT: Public Accountancy

DATE: February 26, 2021

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Oxamendi</u>	<u>Imhof</u>	<u>RI</u>	<u>Pre-meeting</u>
2.	_____	_____	<u>CM</u>	_____
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> Florida 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 Feb. 22, 2021).

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

A certified public accountant 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;
- Have passed a national, regional, state, or territorial licensing examination that is substantially equivalent to the examination required by s. 473.306, F.S.; and
- Have completed continuing professional education courses that are at least equivalent to the continuing professional education requirements for a Florida CPA during the two years immediately preceding the application for licensure by endorsement.<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; or

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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).

- 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, if the criteria for issuance of such a license were not substantially equivalent to Florida's criteria; 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; and
- Have completed continuing professional education courses that are at least equivalent to the continuing professional education requirements for a Florida CPA during the two years immediately preceding the application for licensure by endorsement.<sup>10</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>11</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>12</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>13</sup>

Not less than five 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>14</sup>

### ***Inactive Licenses***

Section 473.313(1), F.S., permits Florida-licensed CPAs to request that their license be placed on inactive status. Licensees can also be placed on inactive status for failing to complete, or failure to report completion of, the continuing education requirements. Section 473.313(2), F.S., authorizes the board to adopt rules establishing fees for placing a license on inactive status, renewal of inactive status, and reactivation of an inactive license.<sup>15</sup>

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<sup>10</sup> Section 473.308(7)(b), F.S., and Fla Admin. Code R. 61H1-29.003(2) (2021).

<sup>11</sup> Section 473.312(1)(a), F.S.

<sup>12</sup> *Id.*

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

<sup>14</sup> Section 473.312(1)(c), F.S., provides that "the maximum continuing education requirements for reactivating a license are 120 hours, including at least 30 hours in accounting-related and auditing-related subjects, not more than 30 hours in behavioral subjects, and a minimum of 8 hours in ethics subjects approved by the board, for the reactivation of a license that is inactive or delinquent."

<sup>15</sup> See Fla. Admin. Code R. 61H1-33.006 (2021).

A CPA may reactivate an inactive license by paying the DPBR a \$250 application fee<sup>16</sup> and receiving certification that the CPA has completed the education requirements.<sup>17</sup> If a license that was placed on inactive status for failure to report completed continuing education requirements is inactive on January 1, the applicant must submit a complete application to the board by March 15 immediately after the delinquent period.<sup>18</sup>

### **Retired Status**

Current law does not 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 approximately 75 percent of its members would be eligible to retire by 2020. 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 proposal would allow inactive CPAs, at least age 55 to: refer to themselves as "Retired-CPA" with appropriate registration with their State Board; offer volunteer tax preparation services if competent; participate in government-sponsored business mentoring programs if competent; and serve on the board of a non-profit organization if competent. All of these activities would be uncompensated and the applicant must have a license in good standing.<sup>19</sup>

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

### **Licensure by Endorsement**

The bill amends s. 473.308(7)(a)1., F.S., relating 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. Section 476.308(1)(a)1., F.S., as amended by the bill, appears to include persons who have not been licensed in Florida within the licensure by endorsement requirements in paragraph (a). The amendment to this section appears to not have a substantive effect because such a person, i.e., a person from Florida who has not been licensed in any state or territory, must satisfy the licensing requirements of this state, whether they do so through the regular licensure qualification process or the licensure by endorsement process.

### **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, the nonresident licensee is required to complete the continuing education requirements in s. 743.312(1)(c), F.S., consisting of not less than five percent of the continuing education in ethics applicable to the practice of public accounting,

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<sup>16</sup> Fla Admin. Code R. 61H1-31.006 (2021).

<sup>17</sup> Section 473.313(2), F.S.

<sup>18</sup> Section 473.313(3), F.S.

<sup>19</sup> See American Institute of CPAs, [inactive-retired-exposure-draft-nov-2015.pdf \(aicpa.org\)](#) (last visited February 21, 2021).

including a review of the provisions of ch. 455, F.S., and ch. 473, F.S., and the related administrative rules.

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 ch. 455, F.S., relating to the regulations of businesses and professions, ch. 473, F.S., and the related administrative rules.

### **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, if a licensee in a retired status reenters the workforce in a position that has an association with accounting or any of the services, the licensee automatically loses her or his retired status. A CPA in a 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., which include services that involve an opinion on financial statements or the preparation of financial statements.

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 organization.

The board may require a retired licensee to 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.

Under the bill, 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 licensee to cover such expenses as allowed by law.
- May use the title of "retired CPA."
- May not offer or render professional services that require his or her signature and use of the CPA title, regardless of whether the word "retired" is attached to such title.
- Is not required to maintain the continuing education requirements.

- 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.

The bill does not authorize the board to prescribe by rule fees for placing a license on retired status. Current law authorizes the board to prescribe by rule fees for placing a license on inactive status, renewal of inactive status, and reactivation of an inactive license.<sup>20</sup>

#### **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.

The Florida Board of Accountancy is currently authorized under s. 473.313(1), F.S., to impose a fee for placing a license into inactive status and for the reactivation of an

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<sup>20</sup> See s. 473.313(1), F.S.

inactive license. SB 616 does not impose a fee, or authorize the board to prescribe a fee by rule, for placing a license on retired status.

**B. Private Sector Impact:**

None.

**C. Government Sector Impact:**

The DBPR has stated that the technological modifications required to administer the bill can be made with existing resources. Other potential expenditures required by the DBPR are indeterminate but expected to be accommodated with existing resources.

The Revenue Estimating Conference has not yet met regarding the bill.

**VI. Technical Deficiencies:**

None.

**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. By comparison, s. 473.308, F.S., governing qualifications for a CPA license, includes 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.