

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes  Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



## Virginia Department of Planning and Budget Economic Impact Analysis

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**18 VAC 5-22 – Board of Accountancy Regulations**  
**Virginia Board of Accountancy**  
**Town Hall Action/Stage: 4932/8085**  
December 3, 2017

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### **Summary of the Proposed Amendments to Regulation**

The Virginia Board of Accountancy (Board) proposes to amend its regulation to: 1) remove obsolete language, 2) specify that individuals who qualify for an exemption from having to complete continuing education must show evidence that they qualify to the Board and 3) allow licensees to receive up to 60 hours of continuing education credit during any three calendar-year period for passing examinations and obtaining certifications approved by the Board.

### **Result of Analysis**

Benefits likely outweigh costs for all proposed changes.

### **Estimated Economic Impact**

Current regulation includes provisions that expired in 2011 for individuals who have certified public accountants (CPA) licenses, who provided CPA services for their employers but did not provide services to the public, to complete fewer hours of continuing education. The Board now proposes to remove these provisions. Because CPA licensees are no longer allowed to take advantage of these provisions, no individuals are likely to be adversely affected by these proposed changes. To the extent that obsolete regulatory language can cause confusion for individuals reading that language, removing that language will likely provide the benefit of additional clarity.

Current regulation exempts individuals who are licensed by the Board but do not provide CPA services to the public or an employer from having to complete required continuing education hours. The Board proposes to clarify that individuals who claim this exemption must demonstrate to the Board that no CPA services were provided during the time for which the exemption is claimed. Because the Board would have already needed information from licensees to know whether they would need to complete continuing education, no entity is likely to incur additional costs on account of this proposed change. To the extent that this clarification eliminates confusion about the rules for claiming the exemption from continuing education, licensees will benefit.

Finally the Board proposes to allow licensees to receive up to 60 hours<sup>1</sup> of continuing education credit during any three calendar-year period for passing examinations and obtaining certifications approved by the Board. No entity will be required to use this avenue to complete their continuing education hours, so no entity is likely to use this avenue if it increases their total continuing education costs. This proposed change will provide licensees with the benefit of additional flexibility in meeting the requirements to maintain their CPA licenses.

### **Businesses and Entities Affected**

These proposed regulatory amendments will affect all individuals and firms licensed by the Board of Accountancy. Board staff reports that, as of September 30, 2017, there were 27,842 individuals who had CPA licenses issued by the Board and 1,179 CPA firm licenses issued by the Board.

### **Localities Particularly Affected**

No locality is likely to be particularly affected by these proposed regulatory changes.

### **Projected Impact on Employment**

These proposed regulatory changes are unlikely to affect employment in the Commonwealth.

### **Effects on the Use and Value of Private Property**

These proposed regulatory changes are unlikely to affect the use or value of private property in the Commonwealth.

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<sup>1</sup> Licensees must complete 120 hours of continuing education during any three calendar-year period.

## **Real Estate Development Costs**

These proposed regulatory changes are unlikely to affect real estate development costs in the Commonwealth.

### **Small Businesses:**

#### **Definition**

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

#### **Costs and Other Effects**

No small businesses are likely to incur any additional costs on account of these proposed regulatory changes. Individual and firm licensees will likely benefit from the additional avenue for obtaining continuing education credit proposed by the Board.

#### **Alternative Method that Minimizes Adverse Impact**

No small businesses are likely to incur any additional costs on account of these proposed regulatory changes.

### **Adverse Impacts:**

#### **Businesses:**

No businesses are likely to incur any additional costs on account of these proposed regulatory changes.

#### **Localities:**

Localities in the Commonwealth are unlikely to see any adverse impacts on account of these proposed regulatory changes.

#### **Other Entities:**

No other entities are likely to be adversely affected by these proposed changes.

## **Legal Mandates**

**General:** The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of

businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

**Adverse impacts:** Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.