



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 5-22 – Board of Accountancy Regulations
Board of Accountancy
February 13, 2010

Summary of the Proposed Amendments to Regulation

The Board of Accountancy (Board) proposes to repeal its current regulations and promulgate replacement regulations. These proposed regulations will replace emergency regulations that expire May 13, 2010 and will incorporate statutory changes passed by the 2007 General Assembly.

Result of Analysis

The benefits likely exceed the costs for some proposed changes. Costs likely exceed benefits for at least one of the proposed changes.

Estimated Economic Impact

With one exception, the Board of Accountancy Regulations have not been amended since the General Assembly made changes to the statutes that govern licensure for accountants in 2007. Because the regulatory changes that are required or suggested by Chapter 804 of the 2007 Acts of the Assembly are extensive, the Board now proposes to completely repeal its existing regulatory chapter (18 VAC 5-21) and promulgate a new chapter (18 VAC 5-22).

Most of the changes that are now proposed by the Board are either required to make these regulations consistent with statute, changes to the fee schedule fall into this category, or are not strictly required to conform the regulations to the statute but would likely impose minimal or no costs on any regulated entity. The Board's proposal to eliminate definitions from the regulations and, instead, refer readers to the relevant statutory definitions falls into this category. The Board's decision to eliminate definitions rather than just amending them to reflect any changes that were made by the General Assembly in 2007 is discretionary. Regulated entities may incur

some minimal time costs from having to go to another source for definitions but these costs are likely outweighed by the benefits of not having conflicts between regulatory and statutory definitions if the statute should change again at some point in the future.

In addition to changes that are either required by statute or are discretionary but are unlikely to have net costs attached, the Board is proposing one change to these regulations that is discretionary and may have substantial costs attached. Current regulations delineate the circumstances under which individuals who provide services to the public or to an employer would be responsible for completing continuing professional education. Specifically, current regulations require:

...any person referring to himself as a Certified Public Accountant or "CPA," including the use of the "CPA" title on individual business cards, letterhead and all other documents and devices except the CPA wall certificate, **and who is performing or offering to perform any services involving accounting skills or auditing skills, issuing reports on financial advisory or consulting services, preparing tax returns, or furnishing advice on tax matters...**

for either the public or an employer to obtain 120 hours of continuing education each renewal cycle. In 2007, the General Assembly amended statutory language so that the definition of "providing services using a CPA title" allows the Board discretion to add "other skills" to the list of things that would constitute providing services and would, therefore, require individuals to complete continuing education. The Board now proposes to remove from the regulations the specific list of services that would trigger continuing education requirements. The Board proposes, instead, to generally require continuing education of any individual who holds a Virginia license and "provides services" to either the public or an employer using the CPA title.

Although the Board does now have the right to define any relevant skills as falling under the definition of "providing services using a CPA title", removing the limiting language that lays out exactly which services will trigger continuing education requirements has the potential to subject more people to these requirements. For individuals who currently do not have to complete continuing education (CE) because they do not provide any of the services specifically listed in current regulations, but who may have to complete CE due to a Board decision that the services that they provide falls under the "other skills" portion of the statute, the cost of maintaining a CPA license will increase substantially. Additionally, removing the limiting language from the regulations increases uncertainty for regulated entities because the Board will

be able to change the rules these entities must abide by without going through normal regulatory procedures. The costs of this particular regulatory change for regulated entities likely outweigh the benefit of added flexibility that will accrue to the Board. Regulated entities would likely be much better off if the Board were to amend this particular part of these regulations to add to the list of services that will trigger CE as they find “other skills” that should be on the list rather than removing the list entirely from the regulations.

Businesses and Entities Affected

The Board reports that there are currently approximately 22,500 individual accountants and 1,200 accountancy firms licensed in the Commonwealth. All of these entities will be affected by these proposed regulations.

Localities Particularly Affected

No locality will be particularly affected by this proposed regulatory action.

Projected Impact on Employment

This regulatory action will likely have little impact on employment in the Commonwealth.

Effects on the Use and Value of Private Property

This regulatory action will likely have little effect on the use or value of private property in the Commonwealth.

Small Businesses: Costs and Other Effects

Small businesses in the Commonwealth are unlikely to incur any costs on account of this regulatory action.

Small Businesses: Alternative Method that Minimizes Adverse Impact

Small businesses in the Commonwealth are unlikely to incur any costs on account of this regulatory action.

Real Estate Development Costs

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.