



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 5-22 – Board of Accountancy Regulations
Board of Accountancy
January 24, 2012

Summary of the Proposed Amendments to Regulation

The Board of Accountancy (Board) proposes to create several new categories of fees and increase most fees paid by licensees that are subject to the Board's authority.

Result of Analysis

There is insufficient information to accurately gauge whether benefits are likely to outweigh costs for these proposed changes.

Estimated Economic Impact

Under current regulations, individuals who seek to take the Certified Public Accountant (CPA) exam pay a fee of \$120 and can take the exam numerous times without any further fee costs. Both accountancy firms and individual accountants currently pay \$24 for the processing of both their initial licensure applications and for subsequent applications for renewal of licensure; individuals and firms that renew their licenses late are currently subject to a late filing fee of \$25. There is currently a \$250 fee for Individuals and firms who must have their licenses reinstated, for individuals who are seeking to regain the use of the CPA title in Virginia and firms that seek to regain the right to provide attest and compilation services. There is currently a \$25 fee to obtain additional wall certificates and there is a \$5 fee for not using the online payment system (although this fee is waived for individuals who cannot access that system from their computers).

With these proposed regulations, the Board intends to 1) separate licensure fees paid by individuals accountants from those that are paid by accounting firms (because firms are able to offer attestation and compilation services that individual accountants cannot), 2) raise most

current fees and 3) institute several new categories of fees including a fee for retaking all or portions of the CPA exam. Below is a comparison table for current and proposed fees:

FEE TYPE	CURRENT FEE	PROPOSED FEE	% INCREASE
Processing an (Initial) Application to Take the CPA Exam	\$120	\$120	No Change
Processing Additional Applications to Take All or Part of the CPA Exam	No Fee	\$20	N/A
Preliminary Evaluation of Whether a Person Meets Requirements to Sit for the CPA Exam	No Fee	\$25	N/A
Initial Licensure Application Processing for Individuals	\$24	\$75	213%
Initial Licensure Application Processing for Firms	\$24	\$100	317%
License Renewal Application Processing for Individuals	\$24	\$60	150%
License Renewal Application Processing for Firms	\$24	\$75	213%
Additional Fee for Late	\$25	\$100	300%

Renewal of an Individual's License			
Additional Fee for Late Renewal of a Firm's License	\$25	\$100	300%
Individual Reinstatement of Licensure Fee	\$250	\$350	40%
Firm Reinstatement of Licensure Fee	\$250	\$500	100%
Fee for Lifting a Suspension of Privilege to Use the CPA Title in Virginia	\$250	\$350	40%
Fee for Lifting Suspension of Privilege to Provide Attest and Compilation Services	\$250	\$500	100%
Fee for Providing Information CPA Examination Grades	No Fee	\$25	N/A
Online Processing of Verification Of Individual or Firm Licensure	No Fee	\$25	N/A
Manual Processing of Verification Of Individual or Firm Licensure	No Fee	\$50	N/A
Providing an Additional Wall Certificate	\$25	\$25	No Change
Fee for Not Responding to	No Fee	\$100	N/A

the Board's Request for Information Within 30 Days			
Additional Fee for Manual Processing of Payments to the Board	\$5	\$25	400%

Board staff reports that from FY 2002 through FY2006, Revenues to the Board exceeded expenditures and the Board was able to save money for future Board needs. From FY2007 through FY 2009, the Board's expenditures exceeded its revenues and the Board's trust account was drained to bridge the gap. For FY2010, Board revenues and expenditures were roughly equal but Board staff expects that the Board will run a deficit again in FY2011 and, by early FY2013, both the Board's operating account and its trust account will be completely depleted. Board staff reports that expenses have greatly increased over the last several years for several reasons:

- Board staff now administers the CPA exam rather than it being administered by a third party vender,
- The Board purchased a new licensing software system,
- Information technology expenses have risen significantly and
- The Board incurring significant additional expense for moving and higher rent.

Increasing fees will likely increase the cost of being licensed as an accountant and, so, will likely slightly decrease the number of people who choose to be accountants. To the extent that the public benefits from the Board regulating this professional population, they will also likely benefit from the Board's proposed action that will increase fees to support Board activities. There is insufficient information to ascertain whether benefits will outweigh costs.

Businesses and Entities Affected

Board staff reports that the Board currently regulates 23,500 licensed accountants and 1,200 accountancy firms. All of these entities, as well as any individuals or entities who may wish to become licensed in the future, 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

Fee increases in this regulatory action will likely marginally decrease the number of individuals who choose to work in professional fields that are regulated by the Board. Individuals who work part time or whose earnings are only slightly higher in these licensed fields than they would be in other jobs that do not require licensure will be more likely to be affected.

Effects on the Use and Value of Private Property

To the extent that affected licensees are in private practice, fee increases will likely slightly decrease business profits and make their businesses slightly less valuable.

Small Businesses: Costs and Other Effects

Board staff reports that most of the firms regulated by the Board likely qualify as small businesses. Affected small businesses will bear the costs of proposed increased fees.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There are several actions that the Board could take that might mitigate the necessity of raising fees overall. The Board could slightly lengthen the time that it takes to process both license applications and complaints so that staff costs could be cut. This option would benefit current licensees but would slightly delay licensure, and the ability to legally work, for new applicants. Affected small businesses would also likely benefit from increased scrutiny of the IT costs that are driving increases in Board expenditures.

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.