

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

18 VAC 5 •22 Board of Accountancy Regulations

Board of Accountancy

Town Hall Action/Stage: 4930 / 8083

December 13, 2017

Summary of the Proposed Amendments to Regulation

The Board of Accountancy (Board) proposes to amend the regulation to: 1) allow itself discretion in determining whether a delay or failure to respond is a violation, 2) match the text to that of the Code of Virginia (Code) concerning when a licensee or applicant has to respond to the Board, and 3) remove an out-of-date citation to the Code.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Code of Virginia § 54.1-4413.4(B)(1) states that the Board may impose penalties on persons using the CPA title in Virginia or firms providing attest services, compilation services, or financial statement preparation services to persons or entities located in Virginia for “Violation of the provisions of this chapter or violation of any **regulation**,¹ subpoena, or order of the Board.” The current regulation allows 30 calendar days for licensees to respond to Board inquiries. Under the current regulation, licensees who fail to respond within 30 days receive a \$100 monetary penalty.

¹ Bold added.

According to Board staff, the Board is aware that there may be extenuating facts and circumstances, such as illness, death in the family, or deployment, which would warrant non-timely responses to not be deemed a violation. Thus the Board proposes to add the following sentence to the regulation: “When the requested response is not produced by the licensee or applicant within 30 calendar days, this nonproduction shall be deemed a violation of this rule, **unless otherwise determined by the board.**”² The proposed amendment is beneficial in that it allows the Board to waive the late fee when there are reasonable extenuating circumstances.

Matching the regulatory text to that of the Code and removing an out-of-date citation to the Code would also be beneficial in that it would reduce the likelihood of confusion amongst readers.

Businesses and Entities Affected

The proposed regulation potentially affects CPA firms and CPAs, and CPA licensure applicants. As of September 30, 2017, there were 27,842 persons who held Virginia CPAs licenses, and 1,179 entities or sole proprietors that held Virginia CPA firm licenses. Annually, there are on average 1,360 total applicants for licensure.³ All or most CPA firms would qualify as small businesses.

Localities Particularly Affected

The proposed amendments do not disproportionately affect particular localities.

Projected Impact on Employment

The proposed amendments do not affect employment.

Effects on the Use and Value of Private Property

The proposed amendments do not affect the use and value of private property.

Real Estate Development Costs

The proposed amendments do not affect real estate development costs.

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

² Ibid.

³ Data source: Board of Accountancy

(ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

Costs and Other Effects

The proposed amendments do not significantly affect costs for small businesses.

Alternative Method that Minimizes Adverse Impact

The proposed amendments do not adversely affect small businesses.

Adverse Impacts:

Businesses:

The proposed amendments do not adversely affect businesses.

Localities:

The proposed amendments do not adversely affect localities.

Other Entities:

The proposed amendments do not adversely affect other entities.

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.