

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: 4931 / 8084
December 11, 2017

Summary of the Proposed Amendments to Regulation

Chapter 287 of the 2015 Acts of Assembly amended § 54.1-4400 et seq. of the Code of Virginia to include “financial statement preparation services” as a level of service requiring a firm Certified Public Accountant (CPA) license. Consequently, the Board of Accountancy (Board) proposes to update continuing professional education (CPE) requirements so that CPAs who are releasing or authorizing the release of reports on all firm-level services annually complete 8 hours of CPE related to those services.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Prior to the enactment of Chapter 287 of the 2015 Acts of Assembly, § 54.1-4400 defined “Virginia license” as “a license that is issued by the Board giving a person the privilege of using the CPA title in Virginia or a firm the privilege of providing attest services and compilation services to persons and entities located in Virginia.” The legislation amended the definition to add “financial statement preparation services” so that it now reads “a license that is issued by the Board giving a person the privilege of using the CPA title in Virginia or a firm the privilege of

providing attest services, compilation services, **and financial statement preparation services**¹ to persons and entities located in Virginia.”

The *Board of Accountancy Regulations* require licensees to obtain at least 120 hours of CPE during the three-calendar-year period ending with the current calendar year. For each of the calendar years in that period, the licensee must obtain at least 20 hours of CPE, including an ethics course of at least two hours.

Under the current regulation, “... a person who releases or authorizes the release of reports on attest services or compilation services provided for persons or entities located in Virginia must annually obtain a minimum of eight hours of CPE related to attest services or compilation services.” Those hours do apply to the 20 annual and 120 over the three-calendar-year period CPE requirements.

Given that the Code of Virginia’s definition of the license that gives a person the privilege of using the CPA title now includes financial statement preparation services along with attest services and compilation services, the Board proposes to add financial statement preparation services to the 8-hour CPE requirement for CPAs who are releasing or authorizing the release of reports. The statement in the proposed regulation would read “... a person who releases or authorizes the release of reports on attest services, or compilation services, **or financial statement preparation services** provided for persons or entities located in Virginia shall annually obtain a minimum of eight hours of continuing professional education related to attest services, or compilation services, **or financial statement preparation services**.”²

The proposed amendment would be beneficial in that it helps provide assurance that CPAs who are performing firm-level services are taking CPE courses that will enable them to stay current on professional technical standards. The proposed amendment does not increase the total number of required CPE hours for licensees. Thus the benefits of the proposal likely exceed the costs.

¹ Bold added.

² Ibid.

Businesses and Entities Affected

The proposed regulation affects CPA firms and CPAs. 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.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 significantly affect employment.

Effects on the Use and Value of Private Property

The proposed amendments do not significantly 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 (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.

³ Data source: Board of Accountancy

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.