

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 1149 (as enrolled)

**PUBLIC ACT 380 of 1998**

Sponsor: Senator Bill Schuette

Senate Committee: Economic Development, International Trade and Regulatory Affairs

House Committee: Commerce

Date Completed: 11-12-98

**RATIONALE**

A certified public accountant (CPA) conducts audits, reviews, and compilations to assure the user of a document that the information contained in it is presented fairly and accurately. In Michigan, CPAs must have a baccalaureate degree (120 semester hours) with a concentration in accounting, pass a national examination, and have two years of qualifying experience. According to the Department of Consumer and Industry Services (DCIS), a number of changes in the practice and corporate structure of public accounting have occurred in recent years. As the business community continues to evolve into the global market, CPA firms and individuals are expanding their services to include diversified financial services for such things as estate planning, personal financial planning, and succession planning. Business methods have become more complex with the implementation of new tax laws. Regulations from Federal, State, and local government in technology have had major effects on information system design, internal control procedures, and auditing methods. Therefore, many people believe that a 120 semester hour (four-year) undergraduate education program is no longer adequate to supply the requisite knowledge and skills to become a CPA.

**CONTENT**

The bill amended the Occupational Code to require an applicant for a certificate as a certified public accountant, after July 1, 2003, to have completed at least 150 semester hours of college education including a baccalaureate degree or higher degree with a concentration in accounting at an approved educational institution and have one year of qualifying experience under the direction and supervision of a licensed CPA. In addition, an individual who has completed a curriculum required for a baccalaureate degree with a concentration in

accounting at an approved educational institution may sit for the CPA exam.

Currently, an applicant must complete at least a curriculum required for a baccalaureate degree with a concentration in accounting at an approved educational institution and have two years of qualifying experience. The applicant is considered to have received the equivalent of one year of experience if he or she has earned a graduate degree in accounting and has completed a curriculum in public accounting. The applicant is considered to have received the equivalent of two years of qualifying experience if he or she has earned a graduate degree in accounting with a complete course in public accounting, and has completed at least two years as a full-time instructor of accounting above elementary level. Under the bill, these provisions will apply only until July 1, 2003.

MCL 339.725

**ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

**Supporting Argument**

As CPAs continue to expand into consulting areas and the complexity and scope of their practices continue to grow, not only do they need a high level of technical competence, they increasingly need to have a broad-based knowledge of various skills. They should have a solid background in accounting, along with technology, business, and analytical communication, as well as teamwork skills to be able to analyze and evaluate complex business decisions. Apparently, many undergraduate accounting programs fail to include electives, and therefore provide a narrow focus of

study. Certified public accountants have noted that knowledge regarding cultural differences, historical events, management techniques, and basic psychology has helped in dealing successfully with others. The 150 semester hour requirement will be an excellent way to develop more fully such skills as communication, presentation, and interpersonal relations and to integrate them with technical accounting skills in order to produce well-rounded and better prepared professionals to meet the many needs of their clients.

#### **Supporting Argument**

Certified public accountants as well as universities and colleges in Michigan would be disadvantaged if the 150 semester hour educational requirement were not implemented. Currently, CPAs participate in reciprocity, which allows them to practice under certain conditions in a state other than the one in which they are licensed. As more states begin to implement the 150 semester hour education requirement, many believe that a Michigan-licensed CPA would not receive reciprocity due to differing educational standards. In addition, Michigan colleges and universities would have a harder time attracting out-of-State accounting students if their bachelor's degree did not qualify them to apply for a CPA certificate. Rather than transferring to a different college for a fifth year of studies, many accounting students could choose colleges in states with similar requirements.

**Response:** According to the Coalition Against Restrictive Entry into the CPA Profession, educational requirements under state accountancy laws range from no college required to two years, four years, 150 semester hours, or a master's degree. Reportedly, most states have adopted the "5/10 rule", which allows a licensed CPA in good standing for at least five out of the last 10 years to be eligible for reciprocity.

#### **Opposing Argument**

Requiring a fifth year of study before someone may even apply for the CPA certification will disadvantage those who cannot afford an additional year of college and others who cannot afford to be out of the job market for an additional year. The adverse impact might particularly affect women, minorities, and nontraditional students.

**Response:** It could be more costly if employers began to favor hiring students with a 150 semester hour (five-year) educational requirement over Michigan students, who only have a 120 semester hour (four-year) educational requirement. Also, an additional year of education may lead to higher starting salaries and faster promotions.

#### **Opposing Argument**

By increasing the educational requirements for CPA candidates and thereby discouraging new students, the bill will limit competition within the accounting industry. This, in turn, may raise costs to consumers.

Legislative Analyst: N. Nagata

#### **FISCAL IMPACT**

The bill will have no fiscal impact on the Department of Consumer and Industry Services.

Fiscal Analyst: M. Tyszkiewicz

#### **A9798/S1149EA**

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.