Legislative Analysis

CERTIFIED PUBLIC ACCOUNTANTS

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House Bill 5236 as introduced
Sponsor: Rep. Brandt Iden
Committee: Regulatory Reform
Complete to 11-21-17

SUMMARY:

House Bill 5236 would amend article 7 of the Occupational Code (Public Accounting) to revise continuing professional education requirements for certified public accountants (CPAs), to authorize the Department of Licensing and Regulatory Affairs (LARA) to establish rules regarding educational qualifications, and to expand the services that out-of-state firms may perform without a Michigan license under certain circumstances.

Continuing Professional Education

Currently, Section 729 of the Occupational Code requires CPA licensees to complete at least 40 hours of continuing professional education (CPE) annually, with up to 8 of those hours in the areas of auditing and accounting.

House Bill 5236 would amend the Occupational Code to do all of the following with regard to CPE requirements for CPA licensees:

- Define a 2-year license cycle, the period during which a license is issued under the article.
- Require at least 8 of the 40 hours of CPE required annually to be in the areas of auditing and accounting, while also stipulating that LARA cannot require more than 8 hours of CPE in auditing and accounting in any 1 year.
- Require at least 2 of the 40 hours of CPE required annually to be in the area of professional ethics, while also stipulating that LARA cannot require more than 2 hours of CPE in professional ethics in any 1 year.
- Require that, of the 4 hours of CPE in the area of professional ethics that are required in a 2-year license cycle, at least 1 hour must cover the laws and rules of this state that apply to public accountancy. The content for this hour of CPE is required to be created by a statewide professional CPA association approved by LARA.
- Provide that a licensee is not required to meet the CPE requirements for the period beginning on the date of his or her original license and ending on the first June 30 after that date.

HB 5236 would require a nonresident licensee to certify in his or her renewal application that he or she has met the state's CPE requirements, but stipulate that a nonresident licensee is considered to have met this state's CPE requirements if the state where his or her business is located also has CPE requirements for renewal of a licensee and the nonresident licensee has met the CPE requirements of that state.

The bill would also allow a licensee who has earned more than 40 hours of CPE in a year to carry over the excess hours to the next year, as long as the hours carried over to the next year do not exceed 40 hours in total and do not exceed 8 hours of CPE in auditing and accounting, 2 hours of CPE in professional ethics, or 1 hour of CPE in public accountancy laws and regulations.

Other Provisions

House Bill 5236 would require that the CPA examination used by the state be the Uniform CPA Examination developed and scored by the American Institute of Certified Public Accountants, and the bill would authorize LARA to promulgate rules governing the educational requirements that qualify an applicant to sit for the exam.

Currently under the act, an out-of-state accounting firm cannot perform attest services in this state without first obtaining a Michigan firm license. The bill would an allow out-of-state firm to perform those services without a license if it meets certain conditions, which include being authorized to perform the services in the jurisdiction where it is licensed and meeting Michigan requirements regarding peer review and firm ownership.

The bill would take effect 90 days after its enactment.

MCL 339.720 et seq.

FISCAL IMPACT:

House Bill 5236 would likely have a minor but indeterminate fiscal impact on the Department of Licensing and Regulatory Affairs. The bill would alter requirements regarding accounting firm licensing, possibly causing certain out-of-state accounting firms to no longer need to be licensed. This would result in an indeterminate, though likely small, decrease in revenues from license fees. The bill does not appear to have any fiscal impact on other units of state or local government.

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