

## The Common Sense Initiative

## Business Impact Analysis

Agency Name: Accountancy Board of OhioRegulation/Package Title: 4701-7Rule Number(s): 4701-7-01, -02, -04, -05, -06, -07, -08, -09, -10Date: March 20, 2019Rule Type:

New

☒ 5-Year Review☒ Amended

Rescinded

The Common Sense Initiative was established by Executive Order 2011-01K and placed within the Office of the Lieutenant Governor. Under the CSI Initiative, agencies should balance the critical objectives of all regulations with the costs of compliance by the regulated parties. Agencies should promote transparency, consistency, predictability, and flexibility in regulatory activities. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

Regulatory Intent**1. Please briefly describe the draft regulation in plain language.**

*Please include the key provisions of the regulation as well as any proposed amendments.*

Rule 4701-7-01 pertains to the requirements which must be met in order for the board to issue an original Ohio CPA certificate, an Ohio CPA certificate by means of transfer of grades, or an Ohio CPA certificate via reciprocity. Modifications include adding a requirement specifying the ethics course requirement be completed less than one year prior to certification as an Ohio CPA, and specifying the requirement for those requesting an Ohio CPA certificate via transfer of grades meet the educational requirements outlined in Board rule 4701-3-09. The modifications also remove the requirement for those requesting an Ohio CPA certificate via reciprocity to be non-compliant with division (I) of section 4701.08 of the ORC.

Rule 4701-7-02 pertains to the Board's ability to rely on the National Association of State Boards of Accountancy (NASBA) to determine the states and countries that have comparable

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requirements for the CPA certificate in accordance with Ohio laws and rules. The modifications also remove the requirement for the Board to maintain a list of states meeting these standards, as Ohio is substantially equivalent to all other state jurisdictions.

Rule 4701-7-04 pertains to the definitions of the practice of public accounting and regulated services. Modifications include adding a clarifying paragraph regarding what license statuses are deemed to not constitute an Ohio permit.

Rule 4701-7-05 pertains to the work experience required to obtain an Ohio CPA certificate. Modifications include adding clarifying language regarding who may verify the work experience and removes the requirement to submit original signatures on the record of experience form at the time of application for an Ohio CPA certificate.

Rule 4701-7-06 pertains to exemptions from the Ohio permit requirement. Modifications include adding clarifying language for using the CPA designation for those licensees who do not hold an Ohio CPA permit.

Rule 4701-7-07 pertains to international reciprocity for those who hold an accounting credential outside of the United States which meets the CPA certification requirements. There were no changes made to this rule.

Rule 4701-7-08 pertains to the requirement and method of using the CPA designation for those licensees who do not hold an Ohio CPA permit, and adds language specifying that “designation” refers to any written, verbal, or electronic form, use or disclosure.

Rule 4701-7-09 pertains to internet practice for those business which offer services to Ohio residents but who have no physical presence in Ohio. No changes were made to this rule.

Rule 4701-7-10 pertains to the method by which a person who holds an Ohio CPA certificate may surrender said certificate as a final act. Modifications include removing extraneous language.

**2. Please list the Ohio statute authorizing the Agency to adopt this regulation.**

ORC 4701.04 is the statutory authority of sections -04 and -09 of this rule.

ORC 4701.06 is the statutory authority of sections -01, -02, -05 and -07 of this rule.

ORC 4701.14 is the statutory authority of sections -06 and -08 of this rule.

ORC 4701.17 is the statutory authority of section -10 of this rule.

**3. Does the regulation implement a federal requirement? Is the proposed regulation being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program?**

*If yes, please briefly explain the source and substance of the federal requirement.*

This rule does not implement a federal requirement.

**4. If the regulation includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.**

Not applicable to this rules package.

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- 5. What is the public purpose for this regulation (i.e., why does the Agency feel that there needs to be any regulation in this area at all)?**

This rule chapter informs future Ohio CPAs of the qualifications needed to obtain an Ohio CPA certificate and a CPA license, the use of qualifying CPA designations, and the method by which a CPA certificate may be surrendered. It also informs the public of the requirements for those in the practice of public accounting and regulated services, and the use/meanings of CPA qualifying designations.

- 6. How will the Agency measure the success of this regulation in terms of outputs and/or outcomes?**

Success will be measured by having clear and up to date rules, resulting in ease of compliance for future licensees.

### **Development of the Regulation**

- 7. Please list the stakeholders included by the Agency in the development or initial review of the draft regulation.**

*If applicable, please include the date and medium by which the stakeholders were initially contacted.*

Copies of the proposed no change/change/new rules were provided (via electronic mail) to the Ohio Society of Certified Public Accountants (OSCPA) on October 23, 2018. All stakeholders were notified of the proposed no change/change/new rules on February 15, 2019, with any comments due by March 18, 2019. No additional comments were received from stakeholders regarding this rule set.

- 8. What input was provided by the stakeholders, and how did that input affect the draft regulation being proposed by the Agency?**

The OSCPAs provided input on wording and grammatical changes in 4701-5-01, -02, -05 and -09, which were incorporated into the proposed modifications.

**What scientific data was used to develop the rule or the measurable outcomes of the rule? How does this data support the regulation being proposed?**

Scientific data was not used to develop this rule, as this rule is not data driven.

- 9. What alternative regulations (or specific provisions within the regulation) did the Agency consider, and why did it determine that these alternatives were not appropriate? If none, why didn't the Agency consider regulatory alternatives?**

There are no alternative regulations (or specific provisions within the regulation) to be considered.

- 10. Did the Agency specifically consider a performance-based regulation? Please explain. Performance-based regulations define the required outcome, but don't dictate the process the regulated stakeholders must use to achieve compliance.**

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The Board did not see an application for the rule in this package to be performance based.

**11. What measures did the Agency take to ensure that this regulation does not duplicate an existing Ohio regulation?**

There is no other agency that regulates the practice of public accounting in Ohio.

**12. Please describe the Agency's plan for implementation of the regulation, including any measures to ensure that the regulation is applied consistently and predictably for the regulated community.**

The Board will continue to use its web site and Facebook page to educate and update licensees on its rules. The OSCP also ensures that new rules and rule changes are provided to their members through communications and continuing education opportunities. Staff training is conducted to ensure that regulations are applied consistently and predictably.

**Adverse Impact to Business**

**13. Provide a summary of the estimated cost of compliance with the rule. Specifically, please do the following:**

**a. Identify the scope of the impacted business community;**

This rule will impact those seeking to obtain or maintain a CPA license in Ohio, or who offer services to Ohio residents, but who are not physically located in Ohio.

**b. Identify the nature of the adverse impact (e.g., license fees, fines, employer time for compliance);**

Those who seek to obtain an Ohio CPA certificate must show successful completion of licensing requirements, including education, work experience, criminal background check and ethics course, all of which incur both a time and monetary impact. An application fee also applies for those seeking an Ohio CPA certificate via transfer of grades or substantial equivalency. These rules also require those in the practice of public accounting or regulated services to hold an Ohio permit. All Ohio CPAs who hold a valid license status (permit or registration) must pay a license fee.

**c. Quantify the expected adverse impact from the regulation.**

*The adverse impact can be quantified in terms of dollars, hours to comply, or other factors; and may be estimated for the entire regulated population or for a "representative business." Please include the source for your information/estimated impact.*

The fee to apply for an Ohio CPA certificate via transfer of grades or reciprocity/substantial equivalency is \$100; with costs incurred to obtain a criminal background check and complete the required ethics course for all applicants for certification. The ability to apply for licensure as an Ohio CPA may be impacted by the work experience requirement, which is a minimum at least one year of full time performance of accounting or accounting-related employment/duties. License fees for initial licensure are \$120/\$56 for a two-year license. For those maintaining a permit to

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practice public accounting, fees are \$180 for a three-year permit, in addition to firm licensing fees if one uses the CPA designation in performing/offering to perform public accounting or regulated services. Those who hold a permit are required to complete continuing education, for which there is a charge. Those who wish to use the CPA-Inactive designation will pay a license fee of \$85/three years.

**14. Why did the Agency determine that the regulatory intent justifies the adverse impact to the regulated business community?**

This rule ensures uniformity in licensing requirements of Ohio CPAs in line with other states and jurisdictions, allowing for ease of mobility; ensures those who perform or offer to perform public accounting or regulated services are properly licensed, protecting the public; and provides an exemption from licensure for entities that wish to perform or offer to perform public accounting or regulated services but who are not physically located in Ohio.

**Regulatory Flexibility**

**15. Does the regulation provide any exemptions or alternative means of compliance for small businesses? Please explain.**

There are no specific exemptions or alternative means of compliance outlined in the rules for small businesses.

**16. How will the agency apply Ohio Revised Code section 119.14 (waiver of fines and penalties for paperwork violations and first-time offenders) into implementation of the regulation?**

Paperwork violations are not applicable to this rules package.

**17. What resources are available to assist small businesses with compliance of the regulation?**

The Board's website provides information regarding the rules. The website also provides contact information for all staff members of the board. Board staff personally answers each phone call, email, and correspondence sent to the Board.