



Common Sense Initiative

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Business Impact Analysis

Agency, Board, or Commission Name: Accountancy Board of Ohio

Rule Contact Name and Contact Information: _____

Regulation/Package Title (a general description of the rules' substantive content):

4701-7, CPA Certificates and Licenses

Rule Number(s): 4701-7-01, -02, -04, -05, -06, -07, -08, -09, -10

Date of Submission for CSI Review: May 2, 2024

Public Comment Period End Date: May 20, 2024

Rule Type/Number of Rules:

New/___ rules

No Change- 5 rules (FYR? Y)

Amended/ 4 rules (FYR? Y)

Rescinded/___ rules (FYR? ___)

The Common Sense Initiative is established in R.C. 107.61 to eliminate excessive and duplicative rules and regulations that stand in the way of job creation. Under the Common Sense Initiative, agencies must balance the critical objectives of regulations that have an adverse impact on business with the costs of compliance by the regulated parties. Agencies should promote transparency, responsiveness, predictability, and flexibility while developing regulations that are fair and easy to follow. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

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Reason for Submission

1. **R.C. 106.03 and 106.031 require agencies, when reviewing a rule, to determine whether the rule has an adverse impact on businesses as defined by R.C. 107.52. If the agency determines that it does, it must complete a business impact analysis and submit the rule for CSI review.**

Which adverse impact(s) to businesses has the agency determined the rule(s) create?

The rule(s):

- a. ☒ **Requires a license, permit, or any other prior authorization to engage in or operate a line of business.**
- b. ☒ **Imposes a criminal penalty, a civil penalty, or another sanction, or creates a cause of action for failure to comply with its terms.**
- c. ☒ **Requires specific expenditures or the report of information as a condition of compliance.**
- d. ☐ **Is likely to directly reduce the revenue or increase the expenses of the lines of business to which it will apply or applies.**

Regulatory Intent

2. **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 for the board to issue an original Ohio CPA certificate. *Modification to this rule removes the residency requirement due to a statutory change to ORC 4701.06.*

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 requirements for the CPA certificate in accordance with Ohio laws and rules. *Modification updates ORC reference.*

Rule 4701-7-04 pertains to the definition of what services constitute the practice of public accounting and regulated services and the licensing requirements to perform those services.

Rule 4701-7-05 pertains to the experience required to obtain an Ohio CPA certificate and the mechanism for documenting, verifying, and submitting this information to the Board.

Rule 4701-7-06 pertains to exemptions from the Ohio permit requirement and the usage of the CPA designation for licensees who do not hold an Ohio CPA permit. *Modifications include adding information regarding Retired CPA/PA status, what services retired CPAs and PAs can and cannot perform, and requirements for a retired CPA to reestablish their Ohio CPA or PA license if they submitted a retirement affidavit.*

Rule 4701-7-07 pertains to how the Board may determine if an individual who holds an international accounting credential has the equivalent education and experience to apply for certification as an Ohio CPA.

Rule 4701-7-08 pertains to the requirement and method of using the CPA designation for those licensees who do not hold a valid and current Ohio CPA permit. *Modifications include moving the definition of “designation” to the beginning of the rule body.*

Rule 4701-7-09 pertains to the way a firm providing services to Ohio clients in a solely virtual capacity must communicate its contact information and how the Board may act against a firm in the case of non-compliance with ORC 4701.16.

Rule 4701-7-10 pertains to the process of permanently surrendering an Ohio CPA certificate.

3. Please list the Ohio statute(s) that authorize the agency, board, or commission to adopt the rule(s) and the statute(s) that amplify that authority.

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.

4. 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.

5. If the regulation implements a federal requirement, but includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.

Not applicable to this rules package.

6. 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, qualifications to retire 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 what services can be performed with a retired CPA license.

7. 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.

- 8. Are any of the proposed rules contained in this rule package being submitted pursuant to R.C. 101.352, 101.353, 106.032, 121.93, or 121.931?**

If yes, please specify the rule number(s), the specific R.C. section requiring this submission, and a detailed explanation.

No.

Development of the Regulation

- 9. 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.

Draft changes to these rules were presented at the Board's regular meeting on December 7, 2023, and April 26, 2024.

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

No additional input was given by stakeholders.

- 11. 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.

- 12. 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? *Alternative regulations may include performance-based regulations, which define the required outcome, but do not dictate the process the regulated stakeholders must use to comply.***

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

- 13. 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.

14. 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 Ohio Society of CPAs 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

15. Provide a summary of the estimated cost of compliance with the rule(s). Specifically, please do the following:

a. Identify the scope of the impacted business community, and

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. Quantify and identify the nature of all adverse impact (e.g., fees, fines, employer time for compliance, etc.).

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.

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.

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 of 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 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.

16. Are there any proposed changes to the rules that will reduce a regulatory burden imposed on the business community? Please identify. *(Reductions in regulatory burden may include streamlining reporting processes, simplifying rules to improve readability, eliminating requirements, reducing compliance time or fees, or other related factors).*
No changes reduced the regulatory burden.

17. 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

18. 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.

19. 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.

20. 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 answer each phone call, email, and correspondence sent to the Board.