

## Department of Planning and Budget 2004 Fiscal Impact Statement

**1. Bill Number** SB539

**House of Origin**    ☐ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☒ Enrolled

**2. Patron** Stosch**3. Committee** Passed Both Houses**4. Title** Board of Accountancy Trust Account**5. Summary/Purpose:**

The bill establishes the Board of Accountancy Trust Account to provide the Board with a supplemental source of funding to study, research, investigate and adjudicate regulatory issues and possible violations of statutes and regulations governing certified public accountants (CPA) or CPA firms licensed in the Commonwealth, and requires that a CPA firm renew its permit to operate on an annual basis, rather than biennially. In addition, the bill (i) authorizes the use of CPA firms to perform peer reviews and clarifies that persons conducting the peer review must hold a valid CPA license, (ii) deletes provisions authorizing the Board to admit graduates of Bristol College, the Benjamin Franklin School of Accountancy and Financial Administration, (iii) authorizes the Board to impose monetary penalties on former licensees and other individuals and entities engaged in the unlicensed practice of public accounting or using the CPA title without a license, and (iv) deletes provisions prohibiting referral and contingency fees and required disclosure provisions regarding such fees.

**6. Fiscal Impact Estimates are:** Final. See item 8, below.**Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003-04	0	0	-
2004-05	34,872	0	NGF
2005-06	34,872	0	NGF
2006-07	34,872	0	NGF
2007-08	34,872	0	NGF
2008-09	34,872	0	NGF
2009-10	34,872	0	NGF

**7. Budget amendment necessary:** No.

**8. Fiscal implications:** Currently, a CPA firm must seek renewal of its license or registration to operate biennially. The proposed legislation would require that a CPA firm seek renewal of its registration to operate annually. The current fee associated with a renewal of a CPA firm's registration is \$24 and is paid biennially at the time of application for renewal. If the proposed legislation is enacted, a firm will be required to seek renewal annually and to pay

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the corresponding \$24 fee annually. This would generate \$34,872 in additional nongeneral fund revenue each year.

At this time, the Board is not seeking the appropriation of the additional revenue, thus a budget amendment is not necessary. The funds would remain unappropriated and accrue interest.

This bill would also establish the Board of Accountancy Trust Account, a nonreverting special fund trust account that would be used for enforcement and enforcement related activities. The proposed legislation does not designate a fund source for the trust account, but rather provides for the transfer of funds from the agency's operating funds, the Board of Accountancy Fund, and the retention of any interest earned on moneys in the trust account. Once the fund balance in the trust account exceeds the amount needed for enforcement purposes (a dollar threshold is not specified in the proposal), funds may be transferred from the trust account to the Board of Accountancy Fund.

The proposed legislation also would permit the Board to impose a monetary penalty on individuals or entities engaged in the unlicensed practice of public accounting or who use the CPA title without a license. The bill does not specify a dollar amount for the penalty and the number of such violations is unknown, therefore any revenue impact attributable to this provision is indeterminate.

**9. Specific agency or political subdivisions affected:** Board of Accountancy and the Department of Planning and Budget.

**10. Technical amendment necessary:** No.

**11. Other comments:** The Board currently has proposed emergency regulations under review. These regulations would increase the fee associated with an original application for a firm registration and a CPA license to \$50.

While the Board of Accountancy is not subject to §54.1-113, Code of Virginia, relating to the adjustment of fees so that the fees collected are sufficient to cover expenses but not excessive, other professions regulated by the Department of Professional and Occupational Regulation or the Department of Health Professions are subject to such limitations. Without this limitation, the Board of Accountancy is able to set fees at an amount it deems prudent to fund the newly established trust fund, as proposed in this bill.

**Date:** 03/23/04/tmw

**Document:** G:\2004 Session\Legislation\SB539ER.Doc

cc: Secretary of Commerce and Trade  
Secretary of Finance