

## **RULE SUMMARY**

### **DEPARTMENT OF LABOR AND LICENSING – ARKANSAS STATE BOARD OF PUBLIC ACCOUNTANCY – TITLE 17, CHAPTER XLII, SUBCHAPTER A, PART 235 AND PART 236**

- **DESCRIPTION:** Changes to CPA exam and licensure requirements, defining of substantial equivalency, and rule clarifications.
- **STATUS:** Pending.
- **NEXT AGENDA:** Pending.
- **FINANCIAL IMPACT:** No financial impact.
- **POTENTIAL OPPOSITION:** None.
- **TALKING POINTS:**
  1. To create an additional pathway to licensure, thereby removing barriers to entry into the profession and increasing the CPA pipeline in Arkansas.
  2. To reduce CPA exam sitting requirements, thereby improving Arkansas CPA exam test scores and increasing the CPA pipeline in Arkansas.
  3. To define the meaning of substantial equivalency and provide the parameters required for out-of-state CPAs and CPA firms servicing Arkansas clients as allowed by Act 428 of the 95th General Assembly.
  4. To clarify rules regarding the ownership of firms, compliance with professional standards, notification requirements, annual fees, continuing education requirements, the practice review program, licensure for uniformed service members, veterans, and their spouses, and peer review requirements.
  5. To clarify the rules that make up the Board's Code of Professional Conduct.

### **SECTION BY SECTION ANALYSIS**

1. Changes to 17 CAR § 236-311 creates an additional pathway to licensure, thereby removing barriers to entry into the profession and increasing the CPA pipeline in Arkansas. Currently, an applicant for licensure must obtain a bachelor's degree, 150 semester credit hours including 30 hours of upper-level accounting courses, and one year

of experience. This pathway will remain in effect, although only 27 hours of upper-level accounting courses will be required. These proposed changes will create an additional pathway to licensure that includes obtaining a bachelor's degree including 27 hours of upper-level accounting courses and two years of experience. The cost of a 5th year of college is a major barrier to entry into the profession. Removing that cost plus the ability to earn income while getting the additional year of experience constitutes a huge positive financial impact for Arkansas residents entering the CPA profession.

2. Changes to 17 CAR § 236-302 reduces the CPA exam sitting requirements, thereby improving Arkansas CPA exam test scores and increasing the CPA pipeline in Arkansas. Reducing the exam sitting requirements will allow students to begin sitting for the exam while they are still in college where they have valuable resources readily available. The highest pass rates for Arkansas candidates for the past nine years are those candidates under the age of 22 years. The second highest pass rate are those candidates between the ages of 22 and 23. The pass rate for candidates 24 years or older declines 12% to 18%. Additionally, there may be one or two universities that encourage their students to sit for the CPA exam in states other than Arkansas because those states have reduced sitting requirements. This constitutes a loss of revenue for the Arkansas State Board of Public Accountancy because exam application fees go to the board of the state in which the applicant applies.
3. Act 428 of the 95th General Assembly allows the board to define the meaning of substantial equivalency by board rule as well as provide the parameters required for out-of-state CPAs and CPA firms servicing Arkansas clients through a practice privilege. The definition and parameters of substantial equivalency are included in 17 CAR § 236-501 et seq.
4. The proposed changes will also clarify the rules regarding the ownership of firms, compliance with professional standards, notification requirements, annual fees, continuing education requirements, the practice review program, licensure for uniformed service members, veterans, and their spouses, and peer review requirements.
5. The proposed changes will also clarify the rules regarding the rules that make up the Board's Code of Professional Conduct (Part 235).