

CALIFORNIA BOARD OF ACCOUNTANCY

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Protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

— Business and Professions Code § 5000.1

The California Board of Accountancy (CBA) licenses, regulates, and disciplines certified public accountants (CPAs) and public accounting firms and corporations. The Board also regulates existing members of an additional classification of licensees called public accountants (PAs). The 1945 Accountancy Act granted the PA license only during a short period after World War II, with the last PA license issued in 1968.

CBA currently regulates over 97,000 individuals, corporations, and partnerships. It establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its power to license. CBA's enabling act, the Accountancy Act, is found at Business and Professions Code section 5000 *et seq.*; its regulations appear in Division 1, Title 16 of the California Code of Regulations (CCR).

CBA is a consumer protection agency located within the Department of Consumer Affairs (DCA). The Board consists of 15 members: seven CBA licensees and eight public members. Each Board member serves a four-year term.

The Board's staff administers and processes the nationally standardized Uniform CPA Examination, currently a four-part computerized exam encompassing the subjects of auditing and attestation; business law and professional responsibilities; regulation (including taxation, managerial accounting, and accounting for governmental and not-for-profit organizations); and

financial accounting and reporting (business enterprises). In order to be licensed, an applicant must complete 150 hours of college-level education, including substantial units in accounting, business-related subjects and ethics; complete twelve months of general accounting experience; and successfully pass all parts of the Uniform CPA Exam.

The operations of the Board are conducted through various advisory committees and, for specific projects, task forces which sunset at project completion. The Board's major advisory committees, which are legislatively established, include the following:

- The Qualifications Committee (QC), authorized in Business and Professions Code section 5023, consists of non-Board member CPAs who review applicants' experience to determine whether the applicants' experience complies with the requirements in Business and Professions Code section 5093 and section 12, Title 16 of the CCR. The Enforcement Advisory Committee (EAC), authorized in Business and Professions Code section 5020, consists of up to 13 non-Board member CPAs who provide technical assistance to the Board's enforcement program by conducting investigations or hearings against licensees, and making recommendations to the enforcement program and the Executive Officer.
- The Peer Review Oversight Committee (PROC), created in Business and Professions Code section 5076.1, consists of up to seven CPAs appointed by the Board and oversees the Board's peer review requirement that is mandatory for licensees who perform attest engagements. The PROC is responsible for ensuring that peer review providers administer peer reviews in accordance with the standards set forth in section 48, Title 16 of the CCR.
- The Mobility Stakeholder Group (MSG), created in Business and Professions Code section 5096.21, is charged with considering whether the current "no notice, no fee" practice privilege (under which CPAs not licensed in California may offer public accounting

services here without providing notice and/or paying a fee to CBA) is consistent with the Board's duty to protect the public, and whether the provisions of the practice privilege law satisfy the objectives of stakeholders of the accounting profession, including consumers.

In February of 2020, the Senate Rules committee appointed Yen Tu as a public member of the Board. She has been principal consultant and owner at Yen C. Tu Consulting for 20 years, a firm focused on providing community outreach services to ethnic/underrepresented communities, corporations, government, and non-profit organizations throughout San Diego.

HIGHLIGHTS

CBA Supports Legislation Requiring Tax Preparers to Provide Written Disclosures to Consumers

[AB 1140 \(Stone\)](#), as amended January 23, 2020, is a two-year bill, originally introduced February 21, 2019, that would add section 22252.2 to the Business and Professions Code to require tax preparers to provide consumers with written disclosures regarding the costs and fees the tax preparer charges, as well as the free tax preparation services available to clients with an annual income of less than \$66,000. Additionally, the bill would require the written disclosures provided to consumers be in English, Chinese, Spanish, Tagalog, Vietnamese, and Korean. Finally, the bill would require the Franchise Tax Board (FTB) to develop a model disclosure form and make it available on its website.

According to the bill's sponsor, Prosperity Now, the bill seeks to better inform and protect low-income tax payers, in particular those who may qualify for the Earned Income Tax Credit (EITC), about the costs and availability of tax preparation services in California. Specifically, the sponsor states that the bill will ensure that low income tax payers will "receive the full benefits of both the California and federal [EITCs] and their tax refunds without risk of having this much-

needed source of financial assistance eroded by high-cost of predatory paid tax preparation services.”

Although it does not regulate tax preparers, the California Board of Accountancy submitted a [support letter](#) to the author on April 10, 2019, stating that the bill “is in line with our consumer protection mandate.” The California Society of Tax Consultants, opponents to the bill, argue the bill “fails to acknowledge regulations currently in place to regulate tax professionals in California. Additionally, [this bill] displays a lack of awareness of both the tax preparation process as well as the application of tax law, specifically with respect to the California Earned Income Credit.”

At this writing, the bill is pending in the Senate Rules Committee, awaiting assignment to a policy committee.

Board Implements AB 1521 – New Licensing Fees, Email Requirements, and UPDATE Newsletter Availability

[AB 1521 \(Low\) \(Chapter 359, Statutes of 2019\)](#), now effective as of January 1, 2020, imposes a series of reforms on CBA licensees and applicants for licensure. The Board’s [website](#) alerts applicants, licensees, and others about its efforts to implement the changes.

Most significantly, the bill authorizes the Board to raise its licensure fees from \$120 to \$250 after the Board informed the legislature during its [sunset review](#) process that existing fees were generating a negative cash flow stemming from increased operating budgets, and resulting in inadequate reserves. While CBA’s website announces that the new fee structure became effective January 1, 2020, at this writing it does not appear that the Board has initiated the formal rulemaking process to amend its regulations, specifically section 70, Title 16 of the California Code of Regulations, to reflect the fee increase. The website also advises licensees that the Board

may seek additional fee increases in the coming year to address the cash flow issue and build up its reserves.

Also new in January, CBA now requires applicants and licensees to provide email addresses to the Board to facilitate quicker communication with licensees. The Office of Administrative Law [approved](#) the Board's proposed amendments to its regulations to reflect this change on applications for licensure and renewals on January 23, 2020. The Board issued notices for email addresses in January, with a return request of February 28, 2020.

Finally, CBA converted its "UPDATE" newsletter to an electronic format, posted on its website and distributed via email, in order to reduce costs associated with the print and mailing of communications. During sunset review, the Board [advised](#) the legislature that it spent approximately \$280,000 in fiscal year 2017–18 on the printing, mailing, and postage costs for the UPDATE newsletter.

Office of Administrative Law Approves CBA's Updated Regulations to Comply with AB 1521 (Low)

On January 23, 2020, the Office of Administrative Law (OAL) [approved](#) CBA's proposed non-substantive changes to sections 15.1, 16, 19, and 20, Title 16 of the CCR, in light of the recent passage of [AB 1521 \(Low\) \(Chapter 359, Statutes of 2019\)](#). Specifically, the regulations update six of CBA's forms to add a field for applicants and license renewals to provide their respective email addresses, now required by the new law, to facilitate quicker communication with licensees.

RULEMAKING

- **Peer Review Reporting** (On November 6, 2019, CBA published [notice](#) that it released [modified text](#) to its proposed amendments to section 45, Title 16 of the CCR to clarify the

reporting of peer reviews. After the public hearing on the proposed amendments in September 2019, the Board voted to amend Form PR-1, referenced in the regulation, and the modified text references the newly revised dated for the form. [[25:1 CRLR 116–117](#)] The public comment period on the modified text expired on November 22, 2019. At this writing, no further action has been taken on the proposed regulation.)

- **Obsolete Language** (On November 21, 2020, CBA held a public hearing with respect to its [proposal](#) to modify obsolete and outdated language of sections 7.1(c), 8, 70, 75.5, 87.6, and 89.1, Title 16 of the CCR. [[25:1 CRLR 117–118](#)] No public comment was made, and the Board [voted](#) to adopt the changes and authorize staff to finalize the rulemaking package at its meeting on the same day. [Agenda item IX]. At this writing, the proposal is pending review at OAL.)

- **Regulations to Comply with [AB 1521 \(Low\)](#)** (On January 23, 2020, OAL [approved](#) CBA’s proposed non-substantive changes to sections 15.1, 16, 19, and 20, Title 16 of the CCR, to comply with AB 1521 (see HIGHLIGHTS).)

LEGISLATION

- **[AB 2549 \(Salas\)](#)**, as amended March 12, 2020, would amend sections 115.6 and 5132 of the Business and Professions Code to expand the boards that are obligated to provide temporary licenses to military spouses, including CBA. Specifically, the bill permits CBA to direct its revenues from temporary license fees to be credited to their Accountancy fund. [*A. B&P*]

- **[AB 2267 \(Irwin\)](#)**, as introduced February 14, 2020, would add section 5093.1 to the Business and Professions Code to authorize the Board to admit an applicant to the certified public accountant examination before the applicant completes certain education requirements, so

long as the applicant satisfies conditions specified by the Board. It would also authorize the Board to withhold the release of an applicant's examination scores if the applicant fails to timely complete the education requirements or comply with the Board's regulations. *[A. B&P]*

- [AB 1140 \(Stone\)](#), as amended January 23, 2020, is a two-year bill, originally introduced February 21, 2019, that would add section 22252.2 to the Business and Professions Code to require tax preparers to provide consumers with written disclosures regarding the costs and fees the tax preparer charges, as well as the free tax preparation services available to clients with an annual income of less than \$66,000 (see HIGHLIGHTS). *[S. RLS]*