

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 628 (Second Edition)

SHORT TITLE: Out-of-State CPAs

SPONSOR(S):

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
General Fund		<u>No General Fund Impact</u>			
NCSBCPAE	\$888,000	\$935,500	* See Assumptions and Methodology *		
EXPENDITURES					
NCSBCPAE		*See Assumptions and Methodology *			
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina State Board of Certified Public Accountant Examiners.					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY: The bill makes several changes to the laws governing Certified Public Accountants and the fees levied by the North Carolina State Board of Certified Public Accountant Examiners. Section 1 deals with persons who are certified in another state and performing work in North Carolina. Specifically this section requires that a CPA must hold a license or permit to practice in addition to the valid certificate now required. The documents can be issued by any state or territory of the United States. This section also levies a \$50 annual fee on these out of state accountants and requires that a notice of hearing be served on their home state licensing board. Section 2 increases the maximum fee for examinations from \$200.00 to \$400.00 and allows the Board to charge an additional amount to cover the cost of employing a testing service. Section 3 increases the maximum fee for an initial certificate of qualification from \$75.00 to \$150.00. Section 4 increases the maximum fee for a renewal certificate from \$50.00 to \$100.00. Section 5 expands the definition of a firm to include registered limited liability partnerships and professional limited liability companies.

ASSUMPTIONS AND METHODOLOGY: The only fiscal impact of the bill relates to the Board.

REVENUE:

Section 1 establishes a maximum fee of \$50 for out of state CPAs to work in North Carolina. According to the Board of CPA Examiners there are approximately 100 CPAs who currently are from out of state but are working in North Carolina. This suggests that if the board charged the maximum fee of \$50 they would see a revenue increase of \$5,000. However, the Executive Director indicates that they intend to charge \$10, not the \$50 cap. They also note that this will effectively reduce their cash flow as it will decrease the number of individuals who are now apply for licensure. Currently out of state CPAs apply for licensure in North Carolina and pay initial fees of \$75 with a \$50 renewal charge. The Executive Director estimates that the Board currently gleans between \$5,000 and \$6,000 on these licenses. Combining the \$5,000 to \$6,000 loss with a \$1,000 revenue gain creates an estimated loss to the Board of \$4,000 to \$5,000 annually. The midpoint or a \$4,500 loss is used to determine the fiscal impact.

Section 2 increases the cap on exams to \$400 from the current cap of \$200 and allows an additional charge for testing. According to Board staff the CPA Examiners currently charge \$175 for the exam. They plan to raise the exam fee to the cap of \$200 this year. The next increase is expected in May 2003 when the rate will go up by approximately \$42 to \$242. In November 2003 the Board will begin using a computer-based test. The cost of that test has not been determined. Given these factors, Fiscal Research does not anticipate any fiscal impact as a result of this bill in FY 2001-02. The Board gives the exam twice a year in May and November. Fiscal Research anticipates that the exam will only be offered once (May 2003) between the time the fee is increase to \$242 and when the Board shifts to a computer based exam in November 2003. At the most recent May exam date the Board examined 1,131 applicants. (Note: Data from previous years cannot be used as the requirements for accountants changed and significantly reduced the number of exam applicants). Assuming the fee is increased to \$242 the Board will see a revenue increase of \$47,502 in FY 2002-03 (\$42 x 1,131 exams). No fiscal analysis is available for exams given after May 2003.

Section 3 of the bill increases the maximum charge for an initial certification from \$75 to \$150. The Board reports that they are currently charging the maximum fee of \$75 to approximately 1,000 accountants. The Board indicates that about 100 of these accountants are from out of state and would now be covered under the out of state provisions in Section 1. Therefore the fee increase will only apply to approximately 900 accountants. Assuming the Board charges the maximum of \$150, this section of the bill will result in a \$67,500 (\$75 increase x 900 cert.) annual revenue increase.

Section 4 of the bill increases the maximum charge for a renewal certificate from \$50 to \$100. The Board currently charges the maximum of \$50 to approximately 16,500 accountants each year. Assuming the Board levies the maximum fee of \$100, this portion of the bill will result in a revenue increase of approximately \$825,000 (\$50 increase x 16,500 cert.) annually.

Section 5 of the bill adds registered limited liability partnerships and professional limited liability companies to the definition of a firm. The Board indicates that this change will have no fiscal impact as those changes are only reflecting changes made earlier in another section of the statute.

The total known impact of the bill is as follows:

Section	Issue	Revenue Change				
		2001-02	2002-03	2003-04	2004-05	2005-06
1	Out of State	-4500	-4500	-4500	-4500	-4500
2	Exams	0	47500	unknown	unknown	unknown
3	Initial Cert.	67,500	67,500	67,500	67,500	67,500
4	Renewal Cert.	825,000	825,000	825,000	825,000	825,000
	TOTAL	888,000	935,500	888,000	888,000	888,000

EXPENDITURES: The Board indicates that the price they will be charged for the exam mentioned in Section 2 will increase by \$42 per applicant in May 2003. Assuming 1,131 exams are given at that time the Board’s cost will increase by \$47,502. The Board does not have an estimate for the total cost of giving the exam in November 2003 and beyond. At that time the Board will shift to a computer-based test and the cost associated with that test is still unknown.

NOTE: The Board’s 1999 financial statement indicates a March 31, 1999 fund balance of \$1,471,993. (The balance includes \$600,000 held in a litigation reserve fund). The fund balance is equal to slightly more than one year of operating expenses.

FISCAL RESEARCH DIVISION 733-4910

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