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OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research
and Drafting

Legislative Budget
Office

H.B. 442*
133rd General Assembly

Occupational Regulation Report

[Click here for H.B. 442's Bill Analysis](#)

Primary Sponsors: Reps. Roemer and West

Impacted Profession: Certified public accountants

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LSC is required by law to issue a report for each introduced bill that substantially changes or enacts an occupational regulation. The report must: (1) explain the bill's regulatory framework in the context of Ohio's statutory policy of using the least restrictive regulation necessary to protect consumers, (2) compare the regulatory schemes governing the same occupation in other states, and (3) examine the bill's potential impact on employment, consumer choice, market competition, and cost to government.¹

SUMMARY OF PROPOSED REGULATIONS

CPA certificate education and experience requirements

The bill eliminates two of the four pathways that are available, under current law, to satisfy the education and experience requirements for a certified public accountant (CPA) certificate.

* This report addresses the "As Introduced" version of H.B. 442. It does not account for changes that may have been adopted after the bill's introduction.

¹ R.C. 103.26, not in the bill.

Pathways to Meeting CPA Education and Experience Requirements		
Required Elements	Current Law	H.B. 442
<ul style="list-style-type: none"> ▪ Accountancy Board-approved baccalaureate or higher degree with 150 semester hours of education concentrated on accounting and business administration. ▪ One year of experience in a public accounting firm, government, business, or academia. 	✓	✓
<ul style="list-style-type: none"> ▪ Associate degree or baccalaureate degree with a concentration in accounting and business administration. ▪ Passage of a special exam to obtain waiver of standard educational requirements. ▪ Four years of experience in a public accounting firm, government, business, or academia. 	✓	✓
<ul style="list-style-type: none"> ▪ Baccalaureate degree or higher that does not meet the Board's education requirements. ▪ Subsequent completion of additional coursework that meets the Board's education requirements. ▪ Two years of experience in a public accounting firm, government, business, or academia. 	✓	✗
<ul style="list-style-type: none"> ▪ Registered as a Public Accountant (continuing law has prohibited the Accountancy Board from registering new public accountants since April 16, 1993). ▪ Four years of experience in a public accounting firm, government, business, or academia. 	✓	✗

In addition to the education and experience requirements, continuing law requires candidates for a CPA certificate to (1) establish Ohio residency, a place of business, or regular employment, (2) be at least 18 years old, (3) have good moral character, and (4) pass the CPA examination described below.²

CPA exam

Eligibility

Under the bill, a person may take the CPA certificate exam before the person has satisfied the education requirements necessary for a CPA certificate, provided the person has a

² R.C. 4701.06(A) and (B) and R.C. 4701.07(F), not in the bill.

bachelor's degree, its equivalent, or a higher degree that includes successful completion of at least 120 semester hours of undergraduate or graduate education. The Board must adopt rules specifying the degrees that make a person eligible to take the exam and the subjects the Board considers appropriate. Under current law, before sitting for the exam, a person must satisfy the education requirements for a CPA certificate, have those requirements waived by the Board, or obtain the professional accountant registration described above. Under the bill, a person who passes the CPA exam is not a CPA until the person satisfies the education and experience requirements described above (currently, such a person only has to satisfy the requisite experience).³

Exam offerings

The bill also repeals the requirement that the Board hold the CPA certificate exam at least once per year. Additionally, it repeals the ability of the Board to adopt a rule to grant credit to a candidate for satisfactory completion of an exam that a licensing authority of another state gave in one or more of the subjects required in Ohio's exam.⁴

LEAST RESTRICTIVE REGULATION COMPARISON

Ohio's general regulatory policy

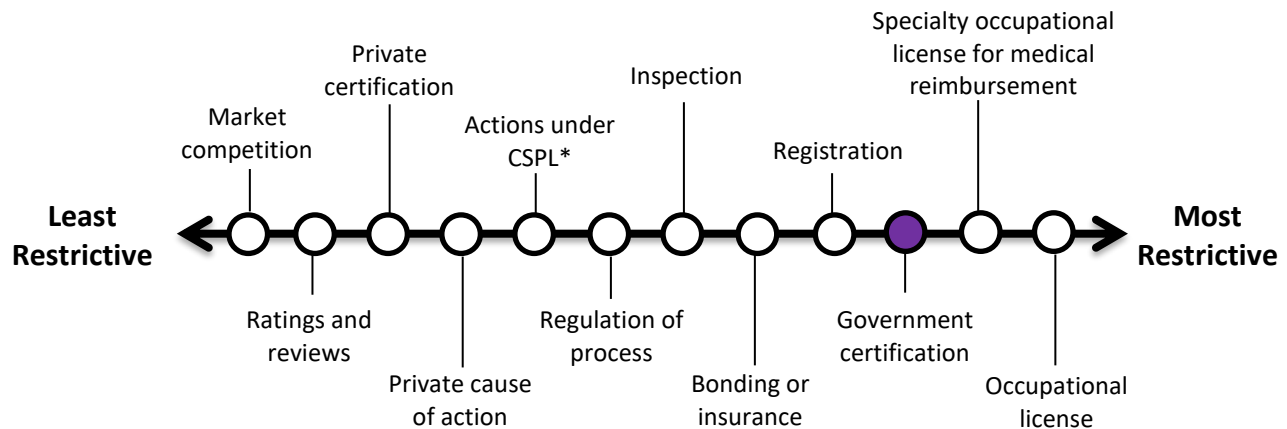
The general policy of the state is reliance on market competition and private remedies to protect the interests of consumers in commercial transactions involving the sale of goods or services. For circumstances in which the General Assembly determines that additional safeguards are necessary to protect consumers from "present, significant, and substantiated harms that threaten health, safety, or welfare," the state's expressed intent is to enact the "least restrictive regulation that will adequately protect consumers from such harms."⁵

The degree of "restrictiveness" of an occupational regulation is prescribed by statute. The following graphic identifies each type of occupational regulation expressly mentioned in the state's policy by least to most restrictive:

³ R.C. 4701.06(C) and (D).

⁴ R.C. 4701.06, partially repealed by the bill.

⁵ R.C. 4798.01 and 4798.02, neither in the bill.



*CSPL – The Consumer Sales Practices Law

The CPA certificate exhibits characteristics of a voluntary government certification and an occupational license. An individual cannot independently engage in the practice of public accounting without first obtaining an Ohio permit or foreign certificate. For individuals other than registered Public Accountants, the only way to obtain such a permit or certificate is to become a CPA. Under the state’s policy, a certification that requires an individual “to meet certain personal qualifications to work legally” must be examined with the same stringency as an occupational license.

However, nearly all kinds of accounting work remain permissible for all persons regardless of whether they hold a government credential. This is because continuing law prescribes a narrow definition of the practice of public accounting – holding oneself out as a CPA or issuing an attest report (a review of a business’s financial statements conducted in accordance with standards established by the American Institute of CPAs). The primary purpose of the CPA certificate and, by extension, the Ohio permit and foreign certificate appears to be protecting consumers from service providers that falsify their accounting credentials. They are not gatekeepers to the practice of a profession. Therefore, all are probably best categorized as voluntary government certifications rather than occupational licenses.⁶

Necessity of regulations

Representatives Roemer and West, the bill’s sponsors, testified that changes are needed to ensure Ohio remains competitive with other states in terms of attracting a talented accounting workforce. According to their testimony, H.B. 442 will “ensure [that] Ohio retains its best and brightest minds” without reducing the minimum qualifications for ultimately becoming a CPA. Representative West asserts that 37 states allow students to sit for the CPA exam after completing 120 semester hours and that there is no statistical difference in the test

⁶ R.C. 4701.01, 4701.10, and 4798.01, none in the bill.

scores of students who take the test early (at 120 hours) and students who wait until their education is complete (at 150 hours).⁷

Restrictiveness of regulations

H.B. 442 allows more flexibility as to when accounting students may take the CPA exam – allowing completion before fully finishing the education requirements prescribed by continuing law. The provisions that reduce the number of pathways to meeting the education and experience requirements and eliminate minimum standards for exam frequency appear to increase the difficulty of obtaining a CPA certificate. However, the tangible impact of the latter provisions on prospective CPAs appears to be minimal.

CPA certification generally

Voluntary certification is a moderately restrictive option within the continuum of occupational regulations. According to the state’s policy, it is an appropriate means to protect consumers against asymmetrical information between a seller and a buyer. The policy favors privately offered certifications when available.⁸

According to the American Institute of CPAs (AICPA), a CPA certification distinguishes individuals who have attained a significant amount of relevant education and experience from other business professionals, including other accountants. The certification is a “symbol of trust and professionalism in the world of business.”⁹ Signaling competence to employers and consumers is a purpose that appears to be consistent with the state’s policy.

Several national accounting organizations, including AICPA, offer private specialty certifications to individuals engaged in accounting.¹⁰ Many of these certifications are limited to CPA certificate holders. There does not appear to be a national equivalent to the CPA certification but a CPA certificate or license is available in all 50 states. Some elements of the certification, such as the uniform CPA exam, are standardized and have been implemented by every state accountancy board.¹¹

Education and experience

The impact of eliminating the education and experience pathways for Public Accountants and individuals who return to school after having completed a nonqualifying degree is mitigated by decreased demand for those pathways and the availability of alternatives. As mentioned in the **SUMMARY OF PROPOSED REGULATIONS**, continuing law prohibits the Accountancy Board from registering Public Accountants after

⁷ Representative Bill Roemer, *H.B. 442 Sponsor Testimony* (February 4, 2020); Representative Thomas West, *H.B. 442 Sponsor Testimony* (February 4, 2020).

⁸ R.C. 4798.02(B)(5).

⁹ AICPA, *Frequently Asked Questions – Become a CPA*.

¹⁰ See, AICPA, *Credentials and Certificates*.

¹¹ National Association of State Boards of Accountancy (NASBA), *What is the Uniform CPA Examination?*

April 16, 1993. Presumably, the number of practicing Public Accountants has decreased significantly since that time. The need for a CPA certification pathway specific to registered Public Accountants has decreased correspondingly. Notably, under the bill, a practicing Public Accountant that seeks certification as a CPA can still apply to the Board for waiver of the standard educational requirements. The experience requirement under the waiver pathway is the same (four years) that applies to the Public Accountant pathway under current law.

According to proponent testimony, the pathway for prospective CPAs that have a baccalaureate degree or higher, return to school after completion of the degree in order to meet the education standard, and that have two years of accounting experience is used, primarily by accounting students that choose to take the CPA exam before completion of the 150 semester hour education requirement.¹² Under the bill, those students would be able to obtain a CPA certificate with only one year of accounting experience as long as they have completed 120 semester hours of the education requirement before taking the exam.

Exam frequency

All 50 states use the Uniform CPA Exam in lieu of a localized CPA test. This exam is administered by CPA Examination Services through the NASBA. It is currently offered four times per year, which exceeds the frequency required by current law. For now, the bill's elimination of the exam frequency requirement does not affect prospective CPAs.¹³

Other regulatory policies

H.B. 442 modifies an established regulatory framework that applies to accountants who practice in Ohio.¹⁴ The law does not contain a general statement explaining the state's intent in regulating accountants. However, the mission of the Ohio Accountancy Board is somewhat instructive in that regard, ". . . to assure that the services received by Ohio's citizens and businesses from CPAs . . . will always be performed in an ethical and professional manner and to strictly and fairly enforce Ohio's statutes and rules."¹⁵

IMPACT STATEMENT

Opportunities for employment

The bill's elimination of two routes to qualifying for CPA certification would tend to result in fewer opportunities for employment, but, as mentioned above, decreased demand for these routes and the availability of alternatives will mitigate these effects. Furthermore, other bill provisions also may offset these effects: (1) the reduction in required hours of

¹² Colin McHugh, [H.B. 442 Proponent Testimony](#) (February 12, 2020).

¹³ NASBA, [What is the Uniform CPA Examination?](#)

¹⁴ See, e.g., R.C. 4755.60 through 4755.65 and Ohio Administrative Code Chapters 4755-1 through 48.

¹⁵ Accountancy Board of Ohio, [Annual Report: Fiscal Year Ended June 30, 2018](#), pg. 2.

postsecondary education prior to sitting for the CPA exam from 150 hours to 120 hours, and (2) authorization for the accountancy board to specify which degree makes a person eligible to take the entrance exam, which could potentially be used either to reduce the number of eligible fields or increase it. Academic research suggests that when states implemented the 150-hour policy, an inward shift in the total supply of CPAs was observed; little empirical work has been done on changes in the demand for CPAs in recent years.¹⁶

During FY 2019, there were a total of 22,760 active CPA permits, 8,089 of which were renewed during the year. In each of the last three fiscal years, between 47% and 52% of CPA candidates passed the Universal CPA Exam, required for CPA licensure.¹⁷ Taking the bill's provisions together, the net effect on opportunities for employment is uncertain. Given that the 150 hours of schooling requirement is the primary route to certification, however, the bill as a whole may increase opportunities for employment. The change to education and experience requirements likely will not result in a significant change to the number of CPAs licensed in Ohio.

Consumer choice and cost

Unless there is a significant reduction in the number of CPAs licensed in Ohio, which does not appear likely, the bill's effects on consumer choice and cost are likely to be minimal.

Market competition

Because the bill is anticipated to result in little change to the number of CPAs licensed in Ohio, there is unlikely to be a significant change in the number of public accountancy firms in Ohio, thus competition in the market for this service is unlikely to change significantly.

Cost to government

For costs of the bill to government, please see the [LBO fiscal note](#).

¹⁶ Barrios, John, "Occupational Licensing and Accountant Quality: Evidence from the 150-Hour Rule." *Becker Friedman Institute for Research in Economics Working Paper No. 2018-32*.

¹⁷ <https://www.acc.ohio.gov/Portals/0/PDF/2019anrp.pdf?ver=2019-11-12-145232-493>.

STATE-BY-STATE COMPARISON

The table below compares the education and experience requirements to receive a CPA certificate in Ohio (as proposed by the bill) to surrounding states. It also compares the minimum number of semester hours that a candidate must have successfully completed to take the CPA exam, how often each year the exam is administered, and whether the state's regulatory board is authorized to accept exam results from other states. Some states do not specify the minimum number of semester hours a candidate must have completed to take the exam but instead require the candidate to have at least a bachelor's degree, which, according to the U.S. Department of Education, typically requires at least 120 semester hours.¹⁸

CPA Certificates					
State	Education requirement	Experience requirement	Minimum number of semester hours required to take CPA exam	Frequency of exam	Board is authorized to accept other states' exam
Ohio ¹⁹ (proposed by the bill)	Either of the following: (1) 150 semester hours of college education, including a baccalaureate or higher degree; (2) Education requirement may be waived by attaining an associate degree or a baccalaureate degree with a concentration in accounting and business	1 year or, if education requirement is waived, 4 years	120 semester hours of college education and a baccalaureate degree or its equivalent or a higher degree	Not specified	No

¹⁸ U.S. Department of Education, *Structure of the U.S. Education System: Credit Systems*, <https://www2.ed.gov/about/offices/list/ous/international/usnei/us/credits.doc>.

¹⁹ R.C. 4701.06 and O.A.C. 4701-1-09 (rescinded).

CPA Certificates					
State	Education requirement	Experience requirement	Minimum number of semester hours required to take CPA exam	Frequency of exam	Board is authorized to accept other states' exam
	administration and passing a special exam				
Indiana ²⁰	150 semester hours of college education, including a baccalaureate or higher degree	2 years, except 1 year may be substituted with each master's or doctorate degree in accounting or business administration	150 semester hours of college education, including a baccalaureate or higher degree	4 times per year	Yes
Kentucky ²¹	150 college semester hours, including a baccalaureate or master's degree	1 year	A baccalaureate or master's degree	4 times per year	Yes

²⁰ IC 25-2.1-3-2, 25-2.1-3-7, 25-2.1-3-10, and 25-2.1-3-11 and 872 IAC 1-1-6.1, 1-1-8.4, 1-1-9.5, and 1-1-14.

²¹ KRS 325.261 and 325.270 and 201 KAR 1:063 and 1:190 and Kentucky Board of Accountancy, *Exam Requirements*, <https://cpa.ky.gov/examcandidates/Pages/Exam-Requirements.aspx> and Kentucky Board of Accountancy, *Application for the Uniform CPA Examination*, <https://cpa.ky.gov/Links/Application%20for%20the%20Uniform%20CPA%20Examination.pdf>.

CPA Certificates					
State	Education requirement	Experience requirement	Minimum number of semester hours required to take CPA exam	Frequency of exam	Board is authorized to accept other states' exam
Michigan ²²	150 semester hours of college education, including a baccalaureate or higher degree	1 year	120 semester hours required for a baccalaureate degree	4 times per year	Yes
Pennsylvania ²³	150 semester credits of college education, including a baccalaureate or higher degree or master's degree	1 year	A baccalaureate or higher degree or master's degree	4 times per year	Yes, but also must satisfy additional experience
West Virginia ²⁴	150 semester hours of college education, including a baccalaureate or higher degree	1 year	A baccalaureate degree (specifies candidate need not have 150 semester hours)	4 times per year	Yes

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²² MCLS 339.725 and Mich. Admin. Code R 338.5101, 338.5110, 338.5115, 338.5116, and 338.5117 and Michigan Dept. of Licensing and Regulatory Affairs, *Michigan Certified Public Accountant (CPA) Licensing Guide*, https://www.michigan.gov/documents/lara/Accountancy_517288_7.pdf.

²³ 63 P.S. 9.4b and 9.5 and 49 Pa. Code 11.16, 11.55, and 11.57.

²⁴ W. Va. Code 30-9-8, W. Va. CSR 1-1-4 and 1-1-6, and West Virginia Board of Accountancy, *CPA Examination Overview*, <https://www.boa.wv.gov/exam/index.asp>.