

MINNESOTA STATE BOARD OF ACCOUNTANCY

PROPOSED AMENDMENT TO A RULE OF THE
STATE BOARD OF ACCOUNTANCY GOVERNING
LICENSING FEES FOR CERTIFIED PUBLIC
ACCOUNTANTS AND LICENSED PUBLIC
ACCOUNTANTS.

STATEMENT OF NEED
AND REASONABLENESS

The above captioned rule is an amendment to an existing rule of the Board of Accountancy ("Board"). The Board's rules were last amended on November 11, 1985.

I.

STATUTORY AUTHORITY

Minn. Stat. Section 326.18 (1984) empowers the Board to promulgate and adopt rules to carry into effect, implement and enforce the purposes and provisions of Minn. Stat. Sections 325.165 to 326.23 and 214.12 (1984). Minn. Stat. Sections 214.06, Subd. 2 and 326.20, Subd 1 (1984), require the Board to promulgate rules concerning the renewal of licenses. Minn. Stat. Section 214.06, Subd. 1 (1984) further authorizes the Board, with the approval of the Commissioner of Finance, to adjust any fee which the Board is empowered to assess so that the total fees collected by the Board will closely as possible equal anticipated expenditures during the fiscal biennium. Finally, Minn. Stat. Section 16A.128 (1984) provides that fee adjustments shall be made with the approval of the Commissioner of Finance and may be made using the procedure for non controversial rules specified in Minn. Stat. Sections 14.21 to 14.28 (1984).

II.

FACTS ESTABLISHING NEED AND REASONABLENESS

Certified Public Accountants and Licensed Public Accountants who practice public accounting are required by Minn. Stat. Section 326.20 to renew their licenses as prescribed by the Board.

Under Minn. Stat. Section 326.20, Subd. 1, all licensees, active and inactive, are required to renew by December 31, the expiration date on their annual licenses. The percent of licensees who failed to renew on a timely basis was 27% for 1985 and 20% for 1986.

Board staff verifies over 2,500 licenses per year to state and federal agencies, national organizations, state boards and consumers. Delays in license renewals prevent the Board from maintaining a current and accurate record of active and inactive licenses. Currently, some licensees delay renewing licenses until February, March or later. Timely renewal is particularly important for the consumer, since the tax season begins January and ends April.

Late renewals also delay the licensing renewal process for all licensees and adversely affect the efficiency of the Board office. Compliant licensees are being indirectly penalized by not receiving their licenses on time. Staff time and Board funds are being used to track down and enforce renewal by noncompliant licensees. There are currently no additional fees for late renewals or licensees who fail to respond to the Board communications.

The proposed rule will impose a late processing fee of \$20.00 for licensees who fail to renew by December 31 and a \$50.00 reinstatement fee per year for licensees who renew after January 31 of the renewal year. A \$20.00 application for reinstatement fee will be charged to licensees who fail to renew for two years. The Board believes these fees reflect the added cost to the Board of processing late renewals and dealing with the disruption caused by late renewals.

The proposed change is expected to generate \$8,500 in additional funds for F.Y. 1987, \$4,470 for F.Y. 1988 and \$3,140 for F.Y. 1989. These funds will be used to offset operating costs necessary to monitor and enforce compliance with Minnesota Statutes and Rules regarding public accountancy licensing requirements. As compliance increases, it is expected that the revenue generated will decrease.

The agency has considered the impact that the proposed increase in fees will have on small business and has specifically considered the methods for reducing that impact which are specified in Minn. Stat. Section 14.155, Subd.2 (1984):

"(a) the establishment of less stringent compliance or reporting requirements for small businesses;

(b) the establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;

(c) the consolidation or simplification of compliance or reporting requirements for small businesses;

(d) the establishment of performance standards for small businesses to replace design or operational standards required in the rule; and

(e) the exemption of small businesses from any or all requirements of the rule."

The Board has determined that the purpose of the rule will not be met if small businesses are exempted from the rule or if different deadlines, standards or fees are applied to small businesses or their members or employees. The Board notes that many licensees are owners, members or employees of small businesses, and the overall purpose of the rule is to apply the licensing requirements to such persons in a reasonable manner. Persons who would be affected by the rules may avoid that affect by renewing in a timely manner.

The attached approval of the Department of Finance is a part of this statement of Need and Reasonableness.