

STATE OF MINNESOTA  
BOARD OF ACCOUNTANCY

PROPOSED AMENDMENTS TO RULES OF THE  
STATE BOARD OF ACCOUNTANCY GOVERNING  
LICENSE FEES, RENEWAL FEES, AND  
EXAMINATION 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 rules were last amended effective on December 8, 1986.

I.  
STATUTORY AUTHORITY

Minn. Stat. § 326.18 (1986), empowers the Board to promulgate and adopt rules to carry into effect, implement and enforce the purposes and provisions of Minn. Stat. §§ 326.165 to 326.23 (1986). Minn. Stat. §§ 214.06 and 326.17 (1986) further authorize the Board, with the approval of the Commissioner of Finance, to adjust any fee which the Board is empowered to assess a sufficient amount so that the total fees collected by the Board will as closely as possible equal anticipated expenditures during the fiscal biennium. In addition, Minn. Stat. § 16A.128 (Supp. 1985) 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 when the total fees estimated to be received during the fiscal biennium will not exceed the sum of all direct appropriations, indirect costs, transfers in, and salary supplements for that purpose for the biennium.

II.  
FACTS ESTABLISHING NEED AND REASONABLENESS

Minn. Stat. § 16A.128 (Supp. 1985) requires the Board's fees be set so that the total amount of fees received shall nearly equal the amount appropriated for the several accounts, plus the portion of the Board's general support costs, statewide indirect costs, and Attorney General costs that is attributable to the function for which the fee is charged. The Board was appropriated \$344,600 for Fiscal Year (F.Y.) 1988 and \$340,800 for F.Y. 1989 to meet its anticipated expenditures. The Board is required by statute to recover through its fees the above appropriations in addition to the following costs: Attorney General support costs are estimated at \$17,700 for F.Y. 1988 and \$17,700 for F.Y. 1989; Commerce support costs are \$22,100 for F.Y. 1988 and \$22,500 for F.Y. 1989; Statewide indirect costs are \$7,700 for F.Y. 1988 and \$8,100 for F.Y. 1989; and Salary supplement cost is \$2,700 for F.Y. 1988 and \$5,400 for F.Y. 1989. Total anticipated expenditures to be recovered by fees including all appropriations and costs are \$394,800 for F.Y. 1988 and \$394,500 for F.Y. 1989.

The proposed change will increase the re-examination fee for the Certified Public Accountants Examination from \$27 per examination part to \$30 per part. Review of the current re-examination fees indicates that these fees do not fully recover Board related and American Institute of Certified Public Accountants re-examination costs. The proposed increase in re-examination fees will recover those costs. In addition, a new \$50 out-of-state proctoring fee will be charged to those candidates of other states who wish to sit for the CPA exam in Minnesota. Previously, no fee was charged for this service and the cost of proctoring was absorbed by all

feepayers. The proctoring fee will recover the costs directly related to providing this reciprocal service to other states' examination candidates.

The proposed changes will also increase the reciprocal license fee from \$75 to \$100; the CPA initial license fee from \$20 to \$50 to recover the additional cost of processing an initial license application; and CPA and LPA individual active license renewal fees from \$20 to \$30. Total partnership and corporation renewal fees will increase from \$25 to \$35, and application fees for initial partnership/corporation licenses will increase from \$25 to \$35. These increases are reasonable and necessary as they will generate sufficient revenue needed to offset the anticipated expenses to be incurred by the Board in licensing and regulating these licensees.

Individual inactive (exempt) CPA and LPA licensees will be assessed a new \$10 annual processing fee. This fee will recover the actual costs related to processing their renewal applications, maintaining their records on the statewide licensing computer system, and the issuance of an inactive license. Previously, no fee was charged for this service and the cost was absorbed by all feepayers.

It is reasonable to increase the above listed fees as the new fees more accurately reflect the Board's costs with respect to the corresponding fee functions. For example, the new initial application fee for a CPA license includes the annual \$30 license fee and an additional \$20 for processing the application. Each initial license application is reviewed by two staff members, the Executive Secretary, and the Board to determine if the qualifications for education, experience, and moral character have been met.

The Board has considered the impact that the proposed increase in fees will have on small business and has specifically considered the following methods for reducing that impact which are specified in Minn. Stat. § 14.155, subd. 2 (1986):

- (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 purposes of Minn. Stat. § 16A.128 (Supp. 1985) and § 214.06 (1986) will not be met if small businesses are exempted from the fee rules or if different deadlines, standards or fees are applied to small businesses or their employees. The Board notes that the majority of all licensees are owners or employees of small businesses, and the overall purpose of the rules are to apply the Board's fees to all such persons in a manner which relates to the fee charged to the cost of the fee function. Separate or different fee rules for small businesses would tend to cause confusion and impose added administrative burdens on the licensing and renewal process, with a likely overall increase in the cost to the Board of licensing and renewal.

The attached submission to and fee approval of the Department of Finance is a part of this Statement of Need and Reasonableness.

DEPARTMENT : of Finance

STATE OF MINNESOTA

# Office Memorandum

DATE : June 4, 1987

TO : Pamela K. Smith, Executive Secretary  
State Board of Accountancy

FROM : Bruce J. Reddemann, Director  
Budget Operations and Support

*BJR*

MINNESOTA  
BOARD OF ACCOUNTANCY

JUN 05 1987

PHONE : 6-5188

SUBJECT : Fee Proposal

The fees proposed in your June 1 request (copy attached) are approved as submitted.

TL/BJR/BN/KB/561T

Attachment

cc: Brian Roherty  
Josie Ashton  
Bart Nelson

**MINNESOTA  
STATE BOARD OF ACCOUNTANCY**

METRO SQUARE BUILDING, 5TH FLOOR  
ST. PAUL, MINNESOTA 55101  
612-296-7937

MEMORANDUM

DATE: June 1, 1987

TO: Josie Ashton  
Department of Finance

FROM: Pamela K. Smith  
Executive Secretary *Pamela*

This is to request approval of a Board fee schedule revision as stated in Board Rule 1100.3600 Fees:

Subpart 1. Application fees other than annual license fees. Applications shall be accompanied by fees in the following amounts:

A. [unchanged]

B. Application for certified public accountant reexamination in failed subjects, \$30 per subject but not in excess of \$115. Accounting practice is considered to be two subjects. Part 1100.1400, subpart 4, provides that applicants must apply for reexamination in all failed subjects.

C. Application for reciprocal certificate and license for certified public accountant, \$100.

D. Application for certificate and license for licensed public accountant, \$100.

E. Application for reciprocal certificate and license for licensed public accountant, \$100.

F. Out-of-state proctoring fee. A non-refundable \$50 fee will be charged to proctor out-of-state exam candidates applying to sit in Minnesota.

Subpart 2. Annual license fees shall be as follows: application for initial certified public accountant license, \$50; active individuals, \$30; inactive individuals, \$10; partnerships, \$35; corporations, \$10 [in addition to the \$25 annual reporting fee (1100.3200)].

Subpart 2a. [unchanged]

Subpart 2b. [unchanged]

June 1, 1987

Subpart 3. [unchanged]

Subpart 4. [unchanged]

The Board is following the rulemaking process for the proposed rule change.

The Board's approved 1987-89 Biennial Budget appropriation is \$344.6 for F.Y. 1988 and \$340.8 for F.Y. 1989. Total costs to be recovered are as follows:

	<u>F.Y. 88</u>	<u>F.Y. 89</u>
Appropriation	344.6	340.8
Attorney General	17.7	17.7
Commerce Indirect	22.1	22.5
Statewide Indirect	7.7	8.1
Salary Supplement	2.7	5.4
TOTAL	394.8	394.5

After examining the entire fee structure, the Board has determined that fees must be adjusted to more accurately reflect the agency's costs.

#### EXAMINATION

CPA examination costs are divided into AICPA costs (supplying and grading the exam) and Board costs. AICPA costs are directly related to the number of candidates taking the examination. The AICPA will charge a \$15 fee for each exam part graded. Board costs include staff time for processing and administration, supplies, exam site rental, proctors, printing, postage, etc.

Revenue estimates for the next biennium indicate that the first time candidates' examination fees are sufficient to recover both their AICPA and Board related exam costs. However, the reexam candidates' fee of \$27 per part will increase to \$30 per part in order to fully recover their AICPA and Board related exam costs.

Additionally, the Board has added a \$50 proctoring fee for out-of-state candidates who wish to sit for the CPA exam in Minnesota. This is comparable to the proctoring fees charged to Minnesota candidates who sit for the exam in other states. The proctoring fee will recover the costs directly related to providing this reciprocal service to other states' candidates.

#### LICENSING

The remaining costs will be recovered by an increase in licensing fees. Active individual licensees' renewal fees will increase from \$20 to \$30.

June 1, 1987

Inactive individual licensees will be assessed a \$10 processing fee. This fee will cover the costs related to processing their renewal application, maintaining their records on the statewide licensing system, and issuing an inactive license.

Partnership and corporation renewal fees will increase from \$25 to \$35. New applications for individual licensees will increase from \$25 to \$50 (\$30 license fee, \$20 application processing fee). Reciprocal licenses for other states' licensees will increase from \$75 to \$100.

These increases will result in the additional revenue necessary to recover the agency direct and indirect costs for the biennium.

	<u>F.Y. 88</u>	<u>F.Y. 89</u>	<u>BIENNIUM TOTAL</u>
Projected Revenue	389.7	402.3	792.0
Projected Cost	<u>394.8</u>	<u>394.4</u>	<u>789.2</u>
	(5.1)	7.9	2.8

Attached are a fee review sheet and revenue projection sheet. Since the rulemaking process takes four to six months, we are working to have this published in the State Register no later than June 15. This will just allow the Board enough time to have these fees in effect by the September 1 exam application deadline.

If you have any questions or need additional information, please feel free to contact me at 296-7937. Thank you for your assistance.

kmb



**MINNESOTA STATE BOARD OF ACCOUNTANCY REVENUE PROJECTIONS**

Title of Fee	Revenue Source	Fee	F.Y. 87 Estimate	F.Y. 88 Estimate	F.Y. 89 Estimate	Statutory Reference
Application Fee for first sitting	300	\$115	\$105,945	\$ 92,345	\$ 96,025	MS 326.22
Application Fee for retake	300	30	a) 69,892	87,060	91,410	
Reciprocal Certificate and License	310	100	b) 7,575	14,000	14,750	
CPA Initial License	310	50	c) 7,000	19,500	20,250	
CPA Renewal Active	310	30	c) 82,905	102,300	106,380	
CPA Renewal Inactive	310	10	d) -0-	19,710	19,710	
LPA Renewal Active	310	30	c) 13,320	17,790	17,790	
LPA Renewal Inactive	310	10	d) -0-	2,631	2,730	
Individual Late Processing	310	20	8,980	3,710	2,600	
Firm Late Processing	310	25	400	100	100	
Reinstatement Fee	310	50	4,400	600	400	
Application for Reinstatement	310	20	d) -0-	60	40	
Application for Registering New Corporations	310	35	e) 3,300	4,700	4,900	
Partnership and Corporation Renewal	310	35	e) 10,850	19,500	19,500	
Registration Partnerships	310	35	e) 275	525	500	
Out of State Proctoring Fee	310	50	d) -0-	5,000	5,000	
Miscellaneous	310		484	200	200	
<b>TOTAL</b>			<b>\$315,326</b>	<b>\$389,731</b>	<b>\$402,285</b>	

- a) \$27 in F.Y. 87
- b) \$75 in F.Y. 87
- c) \$20 in F.Y. 87
- d) no charge in F.Y. 87
- e) \$25 in F.Y. 87

Department of Finance


Fee Review

Department/Agency: <b>Board of Accountancy</b>		Budget Activity:
Fee Name: <b>See Attached</b>		
Legal Citation: <b>M. S. 326.22</b>	Fee Set By: <input checked="" type="checkbox"/> Law <input checked="" type="checkbox"/> Agency	
Purpose of Fee:  To examine and license CPA individuals, corporations and partnerships and renew licenses for LPAs.		
<input type="checkbox"/> Dedicated <input checked="" type="checkbox"/> Non-Dedicated		Revenue Code: <b>300-310-360</b>
APID: <b>215-00-10</b>	Accumulated Difference Thru 1984 <b>296.6</b>	Dollars in Thousands (137,522 = 137.5)

Fiscal Year	Actual F.Y. 85	Actual F.Y. 86	Estimated F.Y. 87	Requested F.Y. 88	Requested F.Y. 89
Actual/Anticipated Receipts	262.9	307.5	315.3	389.7	402.3
Less Actual/Anticipated Costs	238.7	302.1	336.6	394.8	394.4
Current Difference	24.2	5.4	(21.3)	(5.1)	7.9
Accumulated Difference	24.2	29.6	8.3	3.2	11.1
Number Paying Fee	8,118	9,950	10,400	12,823	13,614
Present Fee	See attached				
Date Fee Last Changed	10-15-86				

Remarks:					
	<u>F.Y. 1985</u>	<u>F.Y. 1986</u>	<u>F.Y. 1987</u>	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>
Actual/Estimated Expenditure	218.1	254.8	291.4	344.6	340.8
Attorney General	-0-	17.2	16.0	17.7	17.7
Commerce Indirect	18.2	19.3	21.9	22.1	22.5
Statewide Indirect	2.4	10.8	7.3	7.7	8.1
Salary Supplement Estimate	*	*	*	2.7	5.4
<b>Total</b>	<b>238.7</b>	<b>302.1</b>	<b>336.6</b>	<b>394.8</b>	<b>394.5</b>
* Salary Supplement Estimate included in Actual/Estimated Expenditures.					

Finance Department Recommendation:
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Department Authorized Signature: 	Agency Controller Signature:
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