ARKANSAS REGISTER

Proposed Rule Cover Sheet

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Name of Department Department of Labor and Licensing

Agency or Division Name Arkansas State Board of Public Accountancy

Other Subdivision or Department, If Applicable

Previous Agency Name, If Applicable

Contact Person Tim Montgomery

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Name of Rule CPA Exam test section structure and credit window

Newspaper Name Arkansas Democrat-Gazette

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Final Date for Public Comment November 28, 2023

Location and Time of Public Meeting No public meeting requested

QUESTIONNAIRE FOR FILING PROPOSED RULES WITH THE ARKANSAS LEGISLATIVE COUNCIL

DEPARTMENT Labor and Licensing
BOARD/COMMISSION Arkansas State Board of Public Accountancy
BOARD/COMMISSION DIRECTOR Tim Montgomery
CONTACT PERSON Tim Montgomery
ADDRESS 900 West Capitol Ave., Suite 400, Little Rock, AR 72201
PHONE NO. (501) 682-5533 **EMAIL** tim.montgomery@arkansas.gov
NAME OF PRESENTER(S) AT SUBCOMMITTEE MEETING
Tim Montgomery; Miles Morgan
PRESENTER EMAIL(S) tim.montgomery@arkansas.gov miles.morgan@arkansas.gov

INSTRUCTIONS

In order to file a proposed rule for legislative review and approval, please submit this Legislative Questionnaire and Financial Impact Statement, and attach (1) a summary of the rule, describing what the rule does, the rule changes being proposed, and the reason for those changes; (2) both a markup and clean copy of the rule; and (3) all documents required by the Questionnaire.

If the rule is being filed for permanent promulgation, please email these items to the attention of Rebecca Miller-Rice, miller-ricer@blr.arkansas.gov, for submission to the Administrative Rules Subcommittee.

If the rule is being filed for emergency promulgation, please email these items to the attention of Director Marty Garrity, garritym@blr.arkansas.gov, for submission to the Executive Subcommittee.

Please answer each question completely using layman terms.

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1. What is the official title of this rule?
Rule 3 - Examinations, specifically Rule 3.7 Retake and Granting of Credit Requirements

2. What is the subject of the proposed rule? CPA Exam test section structure and credit window

3. Is this rule being filed under the emergency provisions of the Arkansas Administrative Procedure Act? Yes ☐ No ☑

If yes, please attach the statement required by Ark. Code Ann. § 25-15-204(c)(1).

If yes, will this emergency rule be promulgated under the permanent provisions of the Arkansas Administrative Procedure Act? Yes ☐ No ☐

4. Is this rule being filed for permanent promulgation? Yes ☑ No ☐

If yes, was this rule previously reviewed and approved under the emergency provisions of the Arkansas Administrative Procedure Act? Yes ☐ No ☑

If yes, what was the effective date of the emergency rule? _____

On what date does the emergency rule expire?_____

5. Is this rule required to comply with a *federal* statute, rule, or regulation? Yes ☐ No ☑

If yes, please provide the federal statute, rule, and/or regulation citation.

6. Is this rule required to comply with a *state* statute or rule? Yes ☐ No ☑

If yes, please provide the state statute and/or rule citation.

7. Are two (2) rules being repealed in accord with Executive Order 23-02? Yes ☐ No ☑

If yes, please list the rules being repealed.
If no, please explain.

No other rule can or should be repealed. This rule change is to adopt the National Association of State Boards of Accountancy's (NASBA) change to the Uniform Accountancy Act (UAA) Model Rule whereby the exam credit window is increased from 18 months to 30 months. This change will reduce a barrier to entry into the CPA

8. Is this a new rule? Yes ☐ No ☑

Does this repeal an existing rule? Yes ☐ No ☑
If yes, the proposed repeal should be designated by strikethrough. If it is being replaced with a new rule, please attach both the proposed rule to be repealed and the replacement rule.

Is this an amendment to an existing rule? Yes ☑ No ☐
If yes, all changes should be indicated by strikethrough and underline. In addition, please be sure to label the markup copy clearly as the markup.

9. What is the state law that grants the agency its rulemaking authority for the proposed rule, outside of the Arkansas Administrative Procedure Act? Please provide the specific Arkansas Code citation(s), including subsection(s).

17-12-203(a)

10. Is the proposed rule the result of any recent legislation by the Arkansas General Assembly?
Yes ☐ No ☑

If yes, please provide the year of the act(s) and act number(s).

11. What is the reason for this proposed rule? Why is it necessary?

The National Association of State Boards of Accountancy (NASBA) amended its Uniform Accountancy Act (UAA) Model Rules whereby the exam credit window is increased from 18 months to 30 months. This change will reduce a barrier to entry into the CPA profession by granting applicants a longer period to pass all four parts of the CPA exam before exam credit is lost. Though State Boards of Accountancy are not required to follow these model rules, most Accountancy Boards do in order to provide CPA mobility for interstate practice. It is expected that all 54 jurisdictional Boards of Accountancy will adopt the UAA recommended change. In order to reduce a barrier to entry into the profession as well as not to impede CPA mobility, the Arkansas State Board of Public Accountancy is in favor of changing Rule 3.7 to align with the UAA model rule.

In addition, the American Institute of Certified Public Accountants (AICPA) has changed the structure of the CPA exam whereby, instead of passing four core test sections, candidates will now need to pass three core test sections and one of three discipline test sections in order to meet the examination requirement needed for CPA licensure. The new CPA exam structure is effective beginning in January 2024.

12. Please provide the web address by which the proposed rule can be accessed by the public as provided in Ark. Code Ann. § 25-19-108(b)(1).

https://www.asbpa.arkansas.gov/laws-and-rules/proposed-rule-changes/

13. Will a public hearing be held on this proposed rule? Yes ☑ No ☐

If yes, please complete the following:

Date: _____

Time: _____

Place: Date and time to be determined.

Please be sure to advise Bureau Staff if this information changes for any reason.

14. On what date does the public comment period expire for the permanent promulgation of the rule? Please provide the specific date. 09/30/2023

15. What is the proposed effective date for this rule? 01/01/2024

16. Please attach (1) a copy of the notice required under Ark. Code Ann. § 25-15-204(a)(1) and (2) proof of the publication of that notice.

17. Please attach proof of filing the rule with the Secretary of State, as required by Ark. Code Ann. § 25-15-204(e)(1)(A).

18. Please give the names of persons, groups, or organizations that you anticipate will comment on these rules. Please also provide their position (for or against), if known.

Arkansas CPA licensees - For
Arkansas Society of CPAs - For
Arkansas Society of Accountants - For

19. Is the rule expected to be controversial? Yes ☐ No ☑

If yes, please explain.

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY.

DEPARTMENT Labor and Licening
BOARD/COMMISSION Arkansas State Board of Public Accountancy
PERSON COMPLETING THIS STATEMENT Tim Montgomery
TELEPHONE NO. (501) 682-5533 **EMAIL** tim.montgomery@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the Financial Impact Statement and email it with the questionnaire, summary, markup and clean copy of the rule, and other documents. Please attach additional pages, if necessary.

TITLE OF THIS RULE Rule 3 - Examinations, specifically Rule 3.7 Retake and Granting of Credit Requirements

1. Does this proposed, amended, or repealed rule have a financial impact?
   Yes ☑ No ☐

2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
   Yes ☑ No ☐

3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes ☑ No ☐

   If no, please explain:

   (a) how the additional benefits of the more costly rule justify its additional cost;

   (b) the reason for adoption of the more costly rule;

   (c) whether the reason for adoption of the more costly rule is based on the interests of public health, safety, or welfare, and if so, how; and

   (d) whether the reason for adoption of the more costly rule is within the scope of the agency's statutory authority, and if so, how.

4. If the purpose of this rule is to implement a *federal* rule or regulation, please state the following:

   (a) What is the cost to implement the federal rule or regulation?

Current Fiscal Year	**Next Fiscal Year**
General Revenue_____	General Revenue_____
Federal Funds_____	Federal Funds_____
Cash Funds_____	Cash Funds_____
Special Revenue_____	Special Revenue_____
Other (Identify)_____	Other (Identify)_____
Total_____	Total_____

(b) What is the additional cost of the state rule?

Current Fiscal Year	**Next Fiscal Year**
General Revenue_____	General Revenue_____
Federal Funds_____	Federal Funds_____
Cash Funds_____	Cash Funds_____
Special Revenue_____	Special Revenue_____
Other (Identify)_____	Other (Identify)_____
Total_____	Total_____

5. What is the total estimated cost by fiscal year to any private individual, private entity, or private business subject to the proposed, amended, or repealed rule? Please identify those subject to the rule, and explain how they are affected.

Current Fiscal Year	**Next Fiscal Year**
$ 0.00	$ 0.00

6. What is the total estimated cost by fiscal year to a state, county, or municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year	**Next Fiscal Year**
$ 0.00	$ 0.00

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars ($100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes ☐ No ☑

If yes, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

(1) a statement of the rule's basis and purpose;

(2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;

(3) a description of the factual evidence that:
(a) justifies the agency's need for the proposed rule; and
(b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;

(4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;

(5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;

(6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and

(7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
(a) the rule is achieving the statutory objectives;
(b) the benefits of the rule continue to justify its costs; and
(c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

3.7 RETAKE AND GRANTING OF CREDIT REQUIREMENTS

(a) A Candidate shall be required to pass all Test Sections of the Certified Public Accountant Examination in order to qualify for a certificate. A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for ~~eighteen~~ thirty months from the ~~actual date the Candidate took that Test Section~~ date that the score was released, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.

(1) Candidates must pass all ~~four~~ three Core Test Sections and one of the three Discipline Test Sections of the Uniform CPA Examination within a rolling ~~eighteen~~thirty-month period, which begins on the date that the score of the first Test Section(s) passed is ~~taken~~released.

(2) Candidates cannot retake a failed Test Section(s) in the same examination window. An examination window refers to a three-month period in which Candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, Candidates will be able to test two out of the three months within an examination window.

(3) If the Board determines that the examination system changes necessary to eliminate the test window limitations have been implemented, subsection (2) will no longer be effective, and a candidate can retake a test section once their grade for any previous attempt of that same test section has been released.

(4) In the event that all ~~four~~ three Core Test Sections and one of the Discipline Test sections of the Uniform CPA Examination are not passed within the rolling ~~eighteen~~thirty-month period, credit for any Test Section(s) passed outside the ~~eighteen~~thirty-month period will expire and that Test Section(s) must be retaken. If a Discipline Test section loses credit, then any one of the three Discipline Test sections may be taken.

(b) The Board may, in particular cases, extend the term of conditional credit validity notwithstanding the requirements of subsection (a) ~~and (~~ upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

(c) A Candidate shall be deemed to have passed the Uniform CPA Examination once the Candidate holds at the same time official credit for passing ~~each~~ all of the ~~four~~ three Core Test Sections and one of the three Discipline Test sections of the examination. ~~For purposes of this section, credit for passing a Test Section of the computer-based examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives official notice of the passing grade.~~

SUMMARY OF PROPOSED AMENDMENTS TO RULES 3.7 AND 13.3(i) OF THE ADMINISTRATIVE RULES REGARDING THE ARKANSAS STATE BOARD OF PUBLIC ACCOUNTING DEPARTMENT OF LABOR AND LICENSING

The purpose and the necessity of the proposed amendments are to: 1) reduce barriers to entry into the CPA profession; and 2) align with the National Association of State Boards of Accountancy's Uniform Accountancy Act Model Rules.

The proposed amendment would accomplish the following:

1. Amend the board's rule on examinations to change the test section credit window from eighteen months to thirty months, giving candidates an additional twelve months to pass all four parts of the CPA exam before losing test section credits;

2. Amend the board's rule on examinations to change the date that the test section credit window begins from the date the applicant sat for the exam to the date that the exam score was released;

3. Amend the board's rule on examinations to reflect the change in the AICPA CPA exam from the passing of four core test sections to the passing of three core test sections and one of three discipline test sections; and

4. Allow non-resident licensees to meet the Arkansas CPE requirements if they meet the CPE requirements for renewal of a certificate/license in the state in which the licensee's principal place of business is located.

LEGAL NOTICE

The Arkansas State Board of Public Accountancy of the Arkansas Department of Labor and Licensing will be accepting public comments on proposed amendments to Rules 3.7 and 13.3(i) of the Administrative Rules of the Arkansas State Board of Public Accountancy through **Tuesday, November 28, 2023 at 10:00 AM.** The proposed amendments would accomplish the following: 1) change the test section credit window from eighteen months to thirty months, giving candidates an additional twelve months to pass all four parts of the CPA exam before losing test section credits; 2) change the date that the test section credit window begins from the date the applicant sat for the exam to the date that the exam score was released; 3) reflect the change in the AICPA CPA exam from the passing of four core test sections to the passing of three core test sections and one of three discipline test sections; and 4) allow non-resident licensees to meet the Arkansas CPE requirements if they meet the CPE requirements for renewal of a certificate/license in the state in which the licensee's principal place of business is located.

Written comment will be accepted through **Tuesday, November 28, 2023 at 10:00 AM**. by the Arkansas State Board of Public Accountancy at the Department of Labor and Licensing located at 900 West Capitol Avenue, Suite 400 or by electronic format by emailing Tim.Montgomery@arkansas.gov. A copy of the proposed amendments may be obtained by calling the Department of Labor and Licensing, Arkansas State Board of Public Accountancy at (501) 682-1520. A copy of proposed amendments can also be accessed on the Arkansas State Board of Public Accountancy's website at: https://www.asbpa.arkansas.gov/laws-and-rules/proposed-rule-changes/ or the Secretary of State's website at: http://www.sos.arkansas.gov/rules_and_regs/index.php/rules/search/new.

Tim Montgomery, Executive Director
Arkansas State Board of Public Accountancy
Department of Labor and Licensing

This Legal Notice will be published in the Arkansas Democrat-Gazette from Sunday, October 29 through Tuesday, October 31, 2023