

The Way Forward

New Laws and Regs Represent Fundamental Changes for California CPAs

At CalCPA, our job is to advocate for you. We do this daily with the Legislature, regulators and in the court of public opinion. The results of these labors—a partnership between members, staff and strategic partners—can be quickly felt, such as when a CalCPA member is placed as an expert voice in the media, or they may take years of dedicated resolve such as recently was achieved with the 150-hour requirement and the quest for California licensees to be considered substantially equivalent nationally.

Highlighted here are the fruits of our 2009 legislative efforts, along with the fundamental change set forth by the California Board of Accountancy regarding continuing education.

150 Hours Required

SB 819 (Yee, Niello, Ma) Delivers
11th Hour Solution

How it Affects You

- Changes California law so that CPA candidates applying for licensure after Jan. 1, 2014, will have to meet the Uniform Accountancy Act's 150-hour educational requirement prior to licensure, which includes a total of 150 semester hours, as well as a bachelor's degree and one year of work experience.
- Sunsets Pathway 1 (licensure with 120 units and two years of experience) effective Jan. 1, 2014.
- By adopting this national standard, California should be considered a substantially equivalent state for purposes of mobility, allowing current California CPAs to provide services in most other states without first notifying the affected state board of accountancy and without paying a fee to the state.
- CPAs licensed prior to 2014 automatically will be grandfathered in as substantially equivalent.
- Some states only require that out-of-state CPAs register with their board of accountancy when the CPA is providing audit services to an entity headquartered in that other state. A few states also have other rules, so check the state's law prior to providing services.

150-hour
requirement

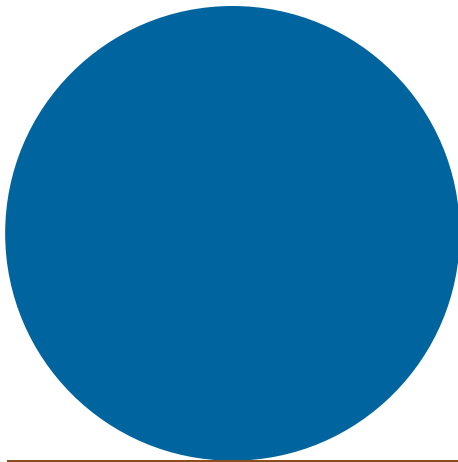
Mandatory Peer Review

AB 138 (Hayashi) Aligns California
With Majority of Nation

How it Affects You

- Effective Jan. 1, 2010, requires mandatory peer reviews for firms and sole practitioners providing audits, reviews and compilations.
- Those firms and sole practitioners with the last digits of the license number 1-33 will be required to submit to the CBA **no later than July 1, 2011**, evidence of completion of a peer review within the previous three years.
- All other affected firms and individuals will be phased in over the next two years.
- Since peer review already is required for many engagements and for AICPA membership, it is anticipated that the mandate will have little impact on the population.
- CalCPA administers the AICPA's peer review program for firms with their main offices in the state. Additional information is available at www.calcpa.org/peerreview.

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Mandatory License Status Disclosure

AB 117 (Niello, Ma) Requires Inactive License Status Disclosure

How it Affects You

- Effective Jan. 1, 2010, CPAs with inactive licenses must disclose their license status whenever they use the CPA designation by placing “inactive” immediately after “CPA” on business cards, stationery, résumés, websites or other business communications.
- Licensees renewing a license in an inactive status will be issued a pocket ID card from the CBA reflecting an inactive status.
- The new law conforms California with the majority of other states and the Uniform Accountancy Act, which requires CPAs using the designation to comply with continuing education regardless of how they practice—setting continuing education as the hallmark of a professional.
- CalCPA and the Education Foundation have developed a program to help inactive licensees transition to active status. Visit www.calcpa.org/Activate for details.
- CPAs who do not plan to activate their licenses prior to Jan. 1, 2010, should revise their business cards, signature lines and other communications to comply with the new law.

Confidentiality is limited to tax advice, other than advice regarding tax shelters, and applies only in non-criminal situations.

Taxpayer Privilege Reinstated

AB 129 (Ma) Realigns California with Federal Provisions

How it Affects You

- Reinstates taxpayer privilege for those taxpayers using the services of CPAs and enrolled agents consistent with the Internal Revenue Code Sec. 7525 enacted in 1998 as part of the Taxpayer Bill of Rights.
- Confidentiality is limited to tax advice, other than advice regarding tax shelters, and applies only in non-criminal situations.
- Note that IRC Sec. 7525 allows for limited confidentiality for communications between tax practitioners and their clients as defined in the law. The confidentiality is limited to tax advice, other than advice regarding tax shelters, and applies only in non-criminal situations (see “What is Privileged,” *California CPA*, November 2009, at www.calcpa.org/privilege for more details).

CBA Alters CPE Demands for License Renewal

Ethics Changes and Minimum Annual Requirement Set To Go Into Effect

License renewals after Jan. 1, 2010, are subject to new ethics requirements, including:

- Four hours of ethics continuing education every renewal period.
- Two-hour regulatory review course every six years covering the California Accountancy Act, plus CBA regulations and enforcement actions.

License renewals after Jan. 1, 2012, are subject to minimum annual hours of CPE:

- A minimum of 20 total hours of continuing education (with a minimum of 12 hours in technical subject matter) are required each year of the two-year license renewal period as part of the 80-hour requirement.
- Technical Credit Options: Accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in Sec. 87(b), professional conduct regulatory review as defined in Section 87.8, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

Read on to learn how this impacts your specific situation. Don't see your question answered? Submit it to

www.calcpa.org/QuestionForm.

My license renewal date is in January 2010. Do I need to meet the new CE requirement?

For your 2010 renewal, you need to meet the new ethics requirement, so four hours of ethics if it is a nonreporting year. If it is a PC&E reporting year you will need a two-hour Regulatory Review course in addition to the four hours of ethics. The 20 hours per year requirement will be for each year leading up to you 2012 renewal.

My next license renewal date is in 2011. Do I need to comply with the 20 hours per year requirement?

No, but you will need to be in compliance for your 2013 renewal. And for 2011 you will need to comply with the new ethics requirements.

My renewal date is June 30, 2010. Do I need four hours of ethics or six hours?

If it is your traditional reporting year for ethics, you would need four hours, plus a two-hour Regulatory Review course. If it is not your ethics reporting year (traditional six-year cycle), then you need only four hours of ethics.

My license renewal is Feb. 28, 2010 and I completed my six-year ethic requirement in 2008. How many hours of ethics do I need for 2010?

You need four hours of ethics.

Does the Education Foundation's eight-hour ethics course cover the two hours of regulatory review CPE, as well as the four-hour ethics requirement?

Yes.

What does 12 hours of technical CE mean? Do tax classes qualify?

Tax courses would be considered technical CPE. According to Sec. 88(a)(1), those classes that qualify for technical credit are: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in Sec. 87(b), professional conduct regulatory review as defined in Sec. 87.8, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

What are approved ethics courses for my 2010 license renewal?

The CBA has not yet approved new ethics courses for the four- and two-hour requirements. In the meantime, the board has said that approved ethics courses such as those offered by the CalCPA Education Foundation will qualify for renewals through Dec. 31, 2011, if the course is completed before Jan. 1, 2011.