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FISCAL IMPACT STATEMENT

LS 6323
BILL NUMBER: HB 1312

NOTE PREPARED: Dec 31, 2006
BILL AMENDED:

SUBJECT: Accountants.

FIRST AUTHOR: Rep. Austin
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Board of Accountancy- The bill increases the number of members on the Board of Accountancy from six to seven. The bill provides that the members' terms expire on June 30. The bill requires the Board to: (1) adopt rules for a quality review of CPA and PA firms that renew permits to practice accountancy; and (2) investigate a complaint made by a board of accountancy or the equivalent of a board of accountancy in another state.

Accountant Investigative Fund- The bill establishes: (1) the Accountant Investigative Fund to provide funds for administering and enforcing accountancy laws; and (2) a civil penalty of \$25,000 for certain violations. The bill provides that the fund consists of fees assessed against certified accountants and civil penalties collected. The bill continually appropriates money from the fund to the Professional Licensing Agency (PLA) for its use in administering and enforcing accountancy laws.

CPA Certificates- The bill eliminates the requirement that an individual with a valid CPA certificate or similar qualifications from another state who intends to conduct business as a CPA in Indiana must notify the Board of that intent. The bill provides that a CPA firm that employs individuals who have all the privileges granted to a CPA certificate holder consents to certain actions and requirements.

Accounting Practitioners- The bill repeals provisions concerning certification of accounting practitioners.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Board of Accountancy-* An additional Board member who is not a state employee would be able to receive the minimum salary per diem and travel expenses allowed under current law. An additional member could require additional Board expenditures of approximately \$2,400 per year. The actual expenditures for the additional member would depend on the mileage accumulated and annual number of hotel stays while on Board business. For the past two years, the Board has met 12 times per year at the Indiana Government Center.

Accountant Investigative Fund- Expenditures to administer and enforce the accountancy statute would be paid from the fund. The PLA would administer the fund. The existing level of resources available to the PLA would be sufficient to administer the new fund.

Misdemeanor to Felony- The bill would increase the penalty for knowingly violating the violation provision of accountancy law from a Class A misdemeanor to a Class D felony. State expenditures could increase if an offender is incarcerated in a state prison rather than in a local jail. A Class D felony is punishable by a prison term ranging between six months to three years or reduction to Class A misdemeanor. The period of incarceration will depend upon mitigating and aggravating circumstances. The average expenditure to house an adult offender was \$22,734 in FY 2006. (This does not include the cost of new construction.) If offenders can be housed in existing facilities with no additional staff, the average cost per offender for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

Explanation of State Revenues: *Accountant Investigative Fund-* Revenue generated by an investigation fee of no more than \$10 per year and civil penalties would be deposited into the Accountant Investigative Fund established by the bill. Money in the fund that exceeds a balance of \$750,000 at the end of a state fiscal year would revert to the state General Fund.

Fee: The investigation fee would be assessed in addition to the fee to issue or renew a certificate or permit. The fee would be applicable to certified public accountants, public accountants, and accounting practitioners. Current accountancy administrative rules provide for a "triennial registration period" with fees of \$75 in the first year, \$50 in the second year, and \$25 in the third year. If the proposed investigative fee were assessed at \$10, certified public accounts, public accountants, and accounting practitioners would expect to pay \$85 in year one, \$60 in year two, and \$35 in year three of their registration cycle. Based on the last three years of license counts, a \$10 fee could generate on average about \$121,000 per year with some years potentially generating more and others generating less than \$121,000. Ultimately, the amount of revenue generated would depend on the fee amount set by rule and the number of active license holders per year. As of December 15, 2006, there were 8,932 CPAs, 94 PAs, and 13 APs actively licensed.

Civil Penalty: The Board would be allowed to impose a civil penalty of not more than \$25,000 per violation on individuals or firms found to have knowingly committed a violation under the accountancy statute.

Misdemeanor to Felony- More revenue to the Common School Fund could be collected if a larger criminal fine is assessed by the sentencing court. The maximum fine for a Class A misdemeanor is \$5,000, while the maximum fine for a Class D felony is \$10,000. Court fees for both misdemeanors and felonies are \$120.

Explanation of Local Expenditures: *Misdemeanor to Felony-* If an offender is sentenced to state prison rather than to a county jail, the costs to the county may be reduced. The maximum term of imprisonment for a Class A misdemeanor is up to one year. The average daily cost to incarcerate a prisoner in a county jail is

roughly \$44.

Explanation of Local Revenues: *Misdemeanor to Felony*- Court fees for both misdemeanors and felonies are \$120.

State Agencies Affected: Department of Correction.

Local Agencies Affected: Trial courts; Local law enforcement agencies.

Information Sources: Professional Licensing Agency; 872 IAC 1-1-10; Indiana Sheriffs' Association.

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