

# **EXPOSURE DRAFT**

## **PROPOSED REVISIONS TO**

### **AICPA/NASBA UNIFORM ACCOUNTANCY ACT and NASBA UNIFORM ACCOUNTANCY ACT RULES**

#### **SECTION 6(d) and Rule 6-7**

**November 2015**

#### **2014 - 2015 AICPA UAA Committee**

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## **OVERVIEW**

In September and October, the AICPA Board of Directors and the NASBA Board of Directors each approved for exposure the accompanying changes to the Uniform Accountancy Act and the Model Rules that would provide for the creation of a Retired-CPA status. Comments on this proposal are requested by February 2, 2016.

## **BACKGROUND**

The AICPA and NASBA have worked together since 1984 to produce the Uniform Accountancy Act (UAA) and UAA Model Rules to serve as reference documents for all U.S. states and jurisdictions as they update their own statutes. They are evergreen documents that are regularly reviewed and updated by the joint AICPA/NASBA Committee, subject to the final approval of the two organizations' board of directors.

For several years, there has been a discussion as to whether or not there should be a Retired-CPA status in the UAA. Currently, there is an Inactive-CPA status, which simply indicates that a CPA has chosen not to maintain the requisite amount of continuing professional education and can no longer hold out as a CPA while his or her CPE is not current. State Boards have come to NASBA to request guidance on how to recognize both inactive and retired CPAs. With no uniform approach, a majority of states have adopted their own retired status in their statutes and/or rules. These variations in state policies have led to inconsistencies in expectations and treatment of this class of CPAs.

Coupled with these national differences in policy, demographic changes – in particular the wave of Baby Boomers retiring or preparing to retire – are further driving the debate about the need for a Retired-CPA status. Indeed, the AICPA estimates that approximately 75% of its members will be eligible to retire by 2020. Many of these retirees are well-respected business leaders in their communities who would like to find ways to continue to be of service, without necessarily remaining an active CPA in practice.

The UAA Committee has debated and reviewed this matter and is recommending the creation of a uniform Retired-CPA status. Furthermore, it would like to allow those Retired-CPAs to offer a limited array of volunteer, uncompensated services to the public.

## **THE PROPOSAL**

The UAA Committee is recommending that Inactive CPAs, at least age 55, be allowed to:

- Refer to themselves as “Retired-CPA” with appropriate registration with their State Board
- Offer volunteer tax preparation services if competent
- Participate in government-sponsored business mentoring programs if competent
- Serve on the board of a non-profit organization if competent.

All of these activities would be uncompensated and are activities that can currently be offered by non-CPAs. Examples of these volunteer programs include the IRS's Volunteer Income Tax Assistance (VITA) program and the Small Business Administration's SCORE business mentoring program. Under no circumstances could the Retired-CPA provide services that require signature and use of the CPA title.

Furthermore, Retired-CPAs would be required to affirm to State Boards of Accountancy that they: (1) understand the scope of limitations on what services they offer, (2) agree not to use their retired status in any way which could be misleading, and (3) maintain professional competency, without a specific CPE requirement, when offering any of the permitted volunteer services.

## TEXT OF PROPOSED STATUTE REVISIONS

Note: The material set out below is the proposed statutory text and commentary of the relevant UAA provisions. The proposed language to be added is underlined.

### Section 6(d):

**(d) For renewal of a certificate under this Section each licensee shall participate in a program of learning designed to maintain professional competency. Such program of learning must comply with rules adopted by the Board. The Board may by rule create an exception to this requirement for certificate holders who do not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or of one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. Licensees granted such an exception by the Board must place the word “inactive” adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. In addition, inactive CPAs, at least 55 years of age, may, in lieu of "inactive", place the word “retired” adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. Nothing in this section shall preclude an inactive CPA, at least 55 years of age, from providing the following volunteer, uncompensated services; tax preparation services, participating in a government-sponsored business mentoring program, or serving on the board of directors for a non-profit organization. Licensees may only convert to inactive status if they hold a license in good standing .**

*COMMENT:* A licensee is deemed competent to serve the public when he or she initially meets the requirements for licensure. However, a dynamic professional environment requires a licensee to continuously maintain and enhance his or her knowledge, skills and abilities. The board of accountancy may specify any reasonable approach to meeting this requirement using as a guideline the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA). **Furthermore, this section acknowledges that CPAs may, for a number of different reasons, place their license in inactive status and not continue with CPE requirements. In order to protect the public,**

**these CPAs should not use their “inactive CPA” status to continue to perform or offer to perform professional services. However, for CPAs who go inactive because they are at the end of their careers, this provision offers an exception to ensure that they can continue to offer a limited number of volunteer, uncompensated services to the public (such as participation in the Internal Revenue Service’s Volunteer Income Tax Assistance (VITA) program and the Small Business Administration’s SCORE program). These services are narrow in scope, may be offered by non-CPAs, and the provision acknowledges that these CPAs still have much to contribute to their communities during retirement. In order to protect the public the board of accountancy may consider requiring these CPAs to affirm their understanding of the limited types of activities in which they may engage while in inactive CPA status and their understanding that they have a professional duty to ensure that they hold the professional competencies necessary to offer these limited services.**

## TEXT OF PROPOSED RULES REVISIONS BY ARTICLE

Note: The material set out below is the proposed rules text and commentary of the relevant UAA provisions. The proposed language to be added is underlined, and proposed deleted language is stricken-through.

### Rule 6-7 – Exceptions.

- (a) The Board may make an exception to the requirement set out in Rule 6-4(a) for a licensee who is inactive or who does not perform or offer to perform for the public one of more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements or other compilation communication, or of one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters.
- (b) The Board may in particular cases make exceptions to the requirements set out in Rule 6-4(a) for reasons of individual hardship including health, military service, foreign residence, or other good cause. **At the time the exception is granted and for as long as the license remains in “inactive” or “retired” status, the license, and any other license issued by another state, must be in good standing and not be revoked, suspended, refused renewal, subject to revoked or limited privileges under Section 23, or under any other sanction. Nothing herein shall be construed to limit the Board’s disciplinary authority with regards to a license in “inactive” or “retired” status.**
- (c) Licensees granted such an exception by the Board must place the word “inactive” adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. **Licensees granted the exception who are at least fifty-five (55) years of age may replace “inactive” with “retired.” Any of these terms must not be applied in such a manner that could likely confuse the public as to the current status of the licensee.**

**(d) Licensees granted the use of “inactive” or “retired” must affirm in writing their understanding of the limitations placed on them by being given an exception from CPE.**

**(e) Licensees granted the use of “inactive” or “retired” may provide volunteer, uncompensated services to their community, to the extent provided in statute, unless such involvement could likely mislead the public as to the ongoing competence or status of such licensee. Licensees providing such volunteer, uncompensated services still have the responsibility to maintain professional competence relative to the volunteer services they provide even though excepted from the specific CPE requirements of Rule 6-4(a).**

**(f) Licensees granted the use of “inactive” or “retired” may not sign documents using CPA with any of these terms attached when rendering one of the services allowed under UAA§A6(d) [volunteer, uncompensated services to the public or serving on the board of directors for a non-profit organization]. As UAA§6(d) provides, an inactive or retired licensee cannot offer or render professional services that require their signature and use of the CPA title either with or without “inactive” or “retired” attached.**

**(g) Licensees granted an exception by the Board must comply with a re-entry competency requirement defined by the Board as set out in Rule 6-4(c) before they may discontinue use of the word “inactive” in association with their CPA or PA title.**