Ready for 150?

Universities, students, employers and employees face an unknown challenge with Senate Bill 819, which will bring an unprecedented overhaul of California CPA licensing rules. As of Jan. 1, 2014, candidates will need 150 units of college education for CPA licensure rather than the current 120 hours, known as Pathway 1.

Unchartered Waters:
Making Sense of an Emerging Law
CalCPA was instrumental in getting SB 819 passed and is working on getting the law implemented in a way that is workable for the profession, educational institutions and candidates for licensure.

Getting a clear description of the new rules is a bit daunting, however. The California Board of Accountancy (www.dca.ca.gov) and CalCPA (www.calcpa.org) have lots of information on the topic, but both will point out a gray area in the law: The topical make up of the additional 30 college units that will be needed to apply for CPA licensure.

As of Jan. 1, 2014, Pathway 1 will cease, and all CPA candidates will need 150 hours of education for licensure. According to SB 819, the additional 30 hours will be made up of "accounting study" (20 hours) and ethics (10 hours). Under the law, "accounting study" means independent study or other academic work in accounting, business, ethics, business law, or other academic work relevant to accounting and business, so as to enhance the competency of students as practitioners.

The gray area is challenging for universities and students, as there is no clear definition of what curriculum will need to be taught so students can meet the new requirements. Most universities do not offer 10 units of ethics and would have to develop these courses from scratch. In fact, it would not be advisable for colleges to develop courses until the actual requirements are adopted by the CBA because the developed courses might not meet the final requirements.

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Both the requirement changes and its gray areas raise some questions that accounting firms, incoming new hires and current employees should think about:

- What will the firm's plan be for any incoming new hires that will not be graduating with the 150 college units required?
- What should the communication be to future hires on the 150-unit requirements?
- What will the firm's responsibility be in covering the costs for any additional units required by incoming new hires and unlicensed employees?

- What is the best way to ensure that current CPA candidates that are pursuing Pathway 1 will get licensed before Jan. 1, 2014?
- How do we effectively manage the schedules for those CPA candidates, who need to fulfill the specific requirements for the attestation form, so that the form can be completed by Jan. 1, 2014?
- How to effectively communicate with firm partners when the rules are not finalized?

Note that incoming new hires and unlicensed employees would have to go back and meet the requirements if their 150 units did not match the requirements developed by the CBA's advisory committees and adopted by the CBA. There is no waiver in the law for candidates educated under the current 150 requirements and no way for them to get a licensed after January 1, 2014, unless their education matches what will be required, or they get additional education to supplement what they already have.

Sink or Swim:
Act Fast to Come Up With a Plan
Although ambiguities exist in the rule changes, both education and promotion of the new requirements should start now. Candidates have 18 months to pass all four parts of the exam. Before 2004, the exam was only offered twice a year and all parts were taken at once. Candidates today are taking advantage of this extended timeline, which results in a longer path to licensure for most.

For candidates starting the exam today, one year will be left after the 18-month passing window to complete the required forms and the ethics exam to get licensed under Pathway 1. Candidates who are working will have 18 months to pass the exam—while dealing with the learning curve of a new position.

In coming up with a comprehensive plan for current and future employees, Burr Pilger Mayer's Corporate University considered the following key factors:
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- Who are the key players in the career management cycle for the CPA candidates? This could come in the form of a career coach, mentor, manager or the human resources department.
- When should the initial communication start with the employee and their coaches, mentors, etc.?
- How does the firm look overall in terms of the number of client-service staff that is licensed? How many candidates have not yet passed one exam?
- How many current unlicensed employees are pursuing a Pathway 1 license and how do they plan to get licensed before Jan. 1, 2014?

Stepping off the Plank: Delivering the Message to Employees and Recruits
BPMU will deliver the message in many forms: email, in-person training and personal letters. With the amount of communications the average employee is inundated with, it is likely to take a couple of tries before the message sticks. Communications will stress the advantages of getting the exam done now, focusing on those pursuing candidacy under Pathway 1. These candidates will need to obtain additional college units if they do not meet the 2014 deadline.

If employees have 150 college units they will be less affected by the changes; however, it is not a given that they will meet the new 150-unit requirement. The conservative approach for all unlicensed employees will be to get licensed by Jan. 1, 2014. Any cleanup legislation enacted by the California Legislature or clarifications offered by the CPA's Accounting Ethics Curriculum or Accounting Education Advisory committee should be sent out as they are adopted to keep everyone on the same page.

Communication of the topic has already begun for BPMU during training for new hires, experienced staff and supervisors. CalCPA has given a handful of presentations on the new rules for these classes and opened the floor for questions. By having an outside organization explain the new rules, more importance is placed on the changes and employees can hear the message from those closest to the law making.

Communication will be expected to flow in both directions as employees will be required to communicate their exam status and prepare a personal CPA licensing plan. Tracking overall firm progress and having an up to date picture of where the firm stands in term of licensing will be important.

Clear Waters Ahead:
Proactive Measures to Stay on Track
Once the initial communication has been started, involve the key stakeholders in the ongoing efforts. Be flexible in your approach, however. More or less communication might be needed as further clarification on the rules is expected and based on how well candidates are progressing.

CITY OF LOS ANGELES
New Business Tax Compliance Programs

The Office of Finance (Finance), the City of Los Angeles' tax administration and revenue collection department, announces three new tax compliance programs as follows:

>>>Offer in Compromise Program
This program is intended to allow businesses experiencing a financial hardship to enter into settlement agreements with Finance to resolve their non-disputed outstanding Business tax liabilities. Businesses that wish to participate in the program must complete an application and provide proof of their inability to pay.

>>>Voluntary Disclosure Program
To encourage unregistered businesses to come into compliance, the Voluntary Disclosure Program (VDP) allows businesses to resolve unreported and delinquent Business tax liabilities. A business that qualifies for the VDP may have penalties waived and the City's eight-year look-back period for taxes owed for unregistered businesses is reduced to three years, if the business submits a VDP application during the initial twelve months of the VDP program or five years if the application is submitted after the first twelve months. The VDP ordinance is currently proceeding through City Council and approval is anticipated. To participate in the VDP, a business must voluntarily contact Finance to submit an application.

>>>Tax Lien Program
The Tax Lien Program authorizes Finance to record liens against a delinquent taxpayer's real and/or personal property used in connection with its business activities for taxes owed to the City. The program applies to outstanding business, transient occupancy, parking occupancy and utility users taxes.

For further information on these programs, please visit the Office of Finance website at finance.lacity.org.
Highlight and acknowledge those who are making progress and passing exams to motivate those who have not yet started. BPMU is forming a CPA advisory committee consisting of staff members that have passed all four parts. These staff members regularly discuss issues facing unlicensed candidates, help shape firm policy surrounding the exam, and promote firm-sponsored programs intended to help employees pass the exam.

Throughout the transition process keep the advantages of the new rules in mind: California CPAs will no longer be at a competitive disadvantage due to licensing requirements that are not substantially equivalent to other states. Matching standards will open doors for California CPAs to provide services and take on new clients outside of the state. The new deadline will create a push for candidates toward quicker licensure.

This type of motivation will likely end in the licensure of more CPAs than if the old rules were still valid. 🤔

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**Exam Changes**

For those who passed the exam when it was offered twice a year—over a three-day period—times have changed. Today, applicants can take one of the four sections, during two-month testing windows, at a Prometric Testing Center. Every third month is considered a closed window in which test scores are released. All four exam parts must be passed within 18 months of passing the first one for the candidate to officially pass.

With the freedom to schedule the exam throughout the calendar year comes a mindset that it is easy and painless to reschedule an exam (for a relatively small fee) and move it to a later time. However, those who spread out their exams across the 18-month window often run across two factors that were not originally planned for: the time that might be needed to re-take failed exams and the processing time it takes to submit scores and to get approved to sit.

For 2010, cumulative exam pass rates (for all four exams) ranged from 47.3 percent to 50.7 percent. This means one out of every two people will have to plan for retakes of the exam while still passing all parts of the exam within 18 months.