

**Zero-Based Regulation
Prospective Analysis
[Idaho State Board of Accountancy]
[24-0000-2202F]**

1. What is the specific legal authority for this proposed rule?

Statute Section (include direct link)	Is the authority mandatory or discretionary?
Idaho Code § 54-204 (1)	Mandatory

2. Define the specific problem that the proposed rule is attempting to solve? Can it be solved through non-regulatory means?

A Certified Public Accountant (CPA) oversees the fiscal integrity of financial systems globally. Financial institutions and individuals want and need reliable information when they are posed with questions of whether to loan to a potential borrower, facing an Internal Revenue Service Audit, or the prospects of buying or selling a business. Professional licensing is an important indicator of a baseline level of expertise and qualification. Without professional licensing, the burden of evaluating qualifications and competency would shift from expert licensing boards to individual consumers. Consumers seeking to hire a CPA would be left on their own to assess the professionals' abilities. This is an unreasonable and dangerous burden for consumers without the expertise to verify the competency of the person they are hiring.

Additionally, absent licensing, ensuring qualifications on the front-end would more than likely be replaced with case-by-case litigation when something goes wrong. This approach is inefficient and costly for consumers and importantly, it does nothing to prevent other consumers from hiring the same unqualified professional.

Can it be solved through non-regulatory means?

Having licensed CPA's gives financial institutes and individual consumers the benefit of knowing they are using information from a licensed individual or firm who is trained and educated on using standards set for type of engagement they are performing. Examples include Standards on Tax Services and Audit and Attestation Standards to name a few. Also, eliminating licensing would eliminate the critical training and qualifications necessary for work that directly impacts public safety, trust and welfare. Errors in a corporate audit are not small matters that can be remedied by a bad review or word of mouth. A CPA's work must be done correctly the first time. Licensing boards provide the systems for ongoing education for professionals—critical in professions that must stay current with complicated and changing codes—and the means for enforcing standards and taking action against bad actors.

Lastly, the regulation of CPA's is very uniform across 55 jurisdictions with a great deal of work being done to get to this point. Weakening licensing standards on a state-by-state basis will destroy the confidence in qualifications and completely disrupt existing mobility models. States will be less inclined to accept out-of-state licenses if some states have rigorous requirements and some states have weak requirements. This uniformity of standards

establishes a baseline of trust in the qualifications of practitioners from other states that makes it possible for professionals to move from one state to another and have their license acknowledged. This would result in it will becoming more difficult for professionals to move and maintain their careers across states.

3. How have other jurisdictions approached the problem this proposed rule intends to address?

a. Is this proposed rule related to any existing federal law?

Federal citation	Summary of Law (include direct link)	How is the proposed Idaho rule more stringent? (if applicable)
	N/A	

b. How does this proposed rule compare to other state laws?

State	Summary of Law (include direct link)	How is the proposed Idaho rule more stringent? (if applicable)
Washington	See attached Excel spreadsheet	Comparable to Idaho
Oregon		Comparable to Idaho
Nevada		Comparable to Idaho
Utah		Comparable to Idaho
Wyoming		Comparable to Idaho
Montana		Comparable to Idaho
Alaska		Comparable to Idaho
South Dakota		Comparable to Idaho

c. If the Idaho proposed rule has a more stringent requirement than the federal government or the reviewed states, describe the evidence base or unique circumstances that justifies the enhanced requirement:

The Board's rules that relate to the protection of the health safety and welfare of the public are generally within the range of the regulatory parameters of the comparison jurisdictions. The regulation of accountants nationwide is predominantly governed by substantially uniform regulation. Idaho does not significantly differ from this uniform regulation.

4. What evidence is there that the rule, as proposed, will solve the problem?

CPAs are much sought after individuals in many capacities within business and industry. When you look at individual CPAs you see them in various roles such as Chief Executive Officers, Chief Financial Officers, Chief Operating Officers, Financial Controllers, and can be found on many Boards of Directors across the country. While these individuals are all highly successful, there is no denying that because of their title of CPA they were afforded numerous opportunities because of the profession they belong to and the standards they have been held to throughout their careers. People trust them.

There are two key studies that show importance of licensure for Certified Public Accountants. One covers the sentiment of the public to licensure and the second discusses the importance of licensure to the financial implications of licensure to individuals pursuing a license.

The Benenson Strategy Group (BSG) conducted a recent national study to understand public opinion toward professional licensing standards. BSG conducted interviews with 952 “likely voters”— individuals who are registered to vote and have voted in the 2016 or 2018 elections or indicated that they are likely to vote in the 2020 election. This was a national opinion study with a diverse respondent pool—mix of gender, age, race, and political ideology. Research was conducted from October 25 through November 6, 2019.

BSG’s critical finding were that the public overwhelmingly supports licensing regulations for complex, highly technical professions that have a direct impact on public health, safety, and welfare. Research found that 75% of voters believe it is important to ensure qualifications for professionals in certain industries. And a majority of voters believe current professional licensing requirements protect the public and should not be reformed.

The public expects that professions tasked with safeguarding their physical and financial wellbeing are regulated. More than 70% of voters believe that regulating professionals in accounting, engineering, architecture, and related fields with high impact on public safety and welfare is important. Licensing standards are the public’s preferred default position with 71% of voters believing professional licensing should be required unless it can be proven that eliminating licensing will not have a negative impact on public health and safety. The public is wary of the alternative approach: requiring licensing only when it is proven necessary for health and safety.

Professional licensing boards are also viewed favorably and are seen as critical regulatory entities. 67% of voters believe that consumers are best protected by a system that regulates education, examination, and experience standards—all of which are overseen by a professional licensing board. And the public intuitively understands what roles the boards play and why those roles are important. A majority of the public believes that it is “very important” that the boards oversee qualifications to enter a profession and regulate continuing education and certification standards.

Also, The Alliance for Responsible Professional Licensing (ARPL) commissioned Oxford Economics to produce a first-of-its-kind quantitative research study, *Valuing Professional Licensing in the U.S.*, which explored the impacts of professional licensing in highly complex, technical fields.

The study produced the following findings: Across all professions and occupations, licensing is associated with a 6.5% average increase in hourly earnings, even after accounting for the job

holder’s educational attainment, gender, and racial demographics. Among professionals in technical fields requiring significant education and training, a license narrows the gender-driven wage gap by about one third and the race-driven wage gap by about half. Minority CPAs can expect an 8.1% hourly wage increase on average after becoming licensed in their field. Female CPAs can expect a 6.1% hourly wage increase on average after becoming licensed in their field. Both white professionals and male professionals were shown to benefit from licensing too, but to a lesser degree. White CPAs can expect a 2.9% hourly wage increase after becoming licensed; and males in the profession can expect a 0.7% hourly wage increase after becoming licensed. Those in a profession requiring advanced education and training such as a CPA can expect a 3.6% wage increase after becoming licensed.

5. What is the anticipated impact of the proposed rule on various stakeholders?

Category	Potential Impact
Fiscal impact to the state General Fund, any dedicated fund, or federal fund	No impact on the state general fund.
Impact to Idaho businesses, with special consideration for small businesses	Minimal impact of licensure costs passed on to those that choose to practice in the profession.
Impact to any local government in Idaho	No impact to local government.

6. What cumulative regulatory volume does this proposed rule add?

Category	Impact
Net change in word count	1434 less words
Net change in restrictive word count	No restrictive words in existing rules.