

**DEPARTMENT OF CONSUMER AFFAIRS
BOARD OF ACCOUNTANCY**

**TITLE 16, CALIFORNIA CODE OF REGULATIONS SECTIONS 39, 48.3, AND 70
SECTION 100 CHANGE WITHOUT REGULATORY EFFECT**

**EXPLANATORY STATEMENT
PEER REVIEW TERMINOLOGY AND OUTDATED FEE PROVISIONS**

Pursuant to Title 1, Division 1, Chapter 1, Article 2, Section 100(b), of the California Code of Regulations (CCR), the California Board of Accountancy (CBA) submits this written statement explaining why the proposed amendments to sections 39 and 48.3 of Article 6, and section 70 of Article 10 of Division 1, Title 16 do not materially alter any requirement, right, responsibility, condition, prescription, or other regulatory element of any CCR provision.

Pursuant to Division 3, Chapter 1, Article 1, section 5010 of the Business and Professions Code (BPC), the CBA has the authority to amend regulations as may be reasonably necessary for the administration of the Accountancy Act. Division 3, Chapter 1, Article 4, section 5076 of the BPC grants the CBA the authority to adopt regulations necessary to implement, interpret, and make specific the peer review requirements that must be followed. Division 3, Chapter 1, Article 8, section 5134 of the BPC prescribes various fees that the CBA may charge applicants and licensees for certified public accountant licensure.

Senate Bill (SB) 816 (Roth, Chapter 723, Statutes of 2023) amended BPC section 5134 increasing the initial permit and renewal fees charged for the licensure of certified public accountants (CPA) and established a separate initial and renewal fee to be charged to accounting firms (partnerships and corporations). SB 816 staggered the fee increases with the first increase taking effect July 1, 2024, and the second increase taking effect July 1, 2026. In addition, SB 816 increases the application fees charged to accounting firms. Finally, SB 816 repeals outdated language regarding practice privilege fees.

SB 887 (Committee on Business, Professions and Economic Development, Chapter 510, Statutes of 2023) amended BPC section 5076 by replacing references to the term “substandard” with the term “fail” when describing the peer review reports that do not conform to professional standards.

Amendments to CCR sections 39 and 48.3:

The CBA is proposing amendments to CCR sections 39 and 48.3 to conform to the provisions enacted under SB 887. The proposed amendments are without regulatory effect as the changes are consistent with the changes made to BPC section 5076, pursuant to SB 887, and 1) the existing regulatory provision is inconsistent with and superseded by BPC section 5076, and 2) the CBA has no discretion to adopt a change which differs in substance from the one chosen. (CCR section 100 (a)(6)). The proposed

amendments to CCR sections 39 and 48.3 are as follows:

Amend subdivision (e) of CCR section 39, as follows:

The proposed amendment to subdivision (e) updates the term “Substandard” to “Fail” consistent with the changes contained in SB 887 as now referenced in BPC section 5076.

Amend subdivision (c) of CCR section 48.3, as follows:

The proposed amendment to subdivision (c) updates the term “substandard” to “with a rating of fail” consistent with the changes contained in SB 887 and now referenced in BPC section 5076.

Amendments to CCR section 70:

The CBA is proposing amendments to CCR section 70 to conform to the provisions enacted under SB 816. The proposed amendments are without regulatory effect as the changes are consistent with the changes made to BPC section 5134, pursuant to SB 816, and 1) the existing regulatory provision is inconsistent with and superseded by BPC section 5134, and 2) the CBA has no discretion to adopt a change which differs in substance from the one chosen. (CCR section 100 (a)(6).). The proposed amendments are necessary to both correct obsolete fees and reflect the accurate fees in to CCR section 70 as follows:

Amend subdivision (c) of CCR section 70, as follows:

The proposed amendments to subdivision (c) are necessary to update the application fee charged for the registration of accounting firms from \$150 to \$250 to provide consistency with the provisions of SB 816 and BPC section 5134(c) which set the minimum fee to be charged as \$250. Failure to update this section will result in confusion between the fee reference in statute and in regulation.

Amend subdivision (d) of CCR section 70, as follows:

The proposed amendments to subdivision (d) are necessary to add subsections (1) and (2) which revise the structure of the existing subdivision without materially altering existing regulatory provisions. (CCR section 100 (a)(4).). The proposed subsections are necessary to clearly indicate the amount of the initial permit fees after June 2024 and June 2026, respectively.

The proposed subsections (1) and (2) are necessary to provide consistency with BPC section 5134, subdivision (j), which would require the amount of the initial permit fees to be equivalent to the renewal fee and as effectuated by SB 816.

Amend subdivision (e) of CCR section 70, as follows:

The proposed amendments to subdivision (e) are necessary to add subsections (1) and (2) which revise the structure of the existing subdivision without materially altering any existing regulatory provisions. (CCR section 100 (a)(4).). The proposed subsections are necessary to clearly indicate the amount of the renewal fees that take effect after June

2024 and June 2026, respectively.

The proposed subsection (1) is necessary to make clear the amount of the renewal fee that becomes operative after June 30, 2024, and inoperative after June 30, 2026.

The proposed subsection (2) is necessary to make clear the amount of the renewal fee that becomes operative after June 30, 2026.

Repeal subdivision (h) of CCR section 70, as follows:

The proposed repeal of subdivision (h) is necessary to conform to SB 816 which repealed an outdated authority from BPC section 5134 regarding annual fees charged by CBA for practice privilege. (CCR section 100 (a)(2).).

Amend subdivision (i) of CCR section 70, as follows:

The proposed amendment to subdivision (i) is necessary to renumber the subdivision to (h) to correct the sequence of CCR section 70 upon the repeal of existing subdivision (h). This is a change without regulatory effect as the amendment renumbers the existing regulatory provision. (CCR section 100 (a)(1).)