

**Department of State**  
**Division of Publications**  
 312 Rosa L. Parks Avenue, 8th Floor Snodgrass/TN Tower  
 Nashville, TN 37243  
 Phone: 615-741-2650  
 Fax: 615-741-5133  
 Email: [register.information@tn.gov](mailto:register.information@tn.gov)

**For Department of State Use Only**

Sequence Number: 03-21-12  
 Rule ID(s): 51765180  
 File Date: 03/26/2012  
 Effective Date: 06/24/2012

# Rulemaking Hearing Rule(s) Filing Form

*Rulemaking Hearing Rules are rules filed after and as a result of a rulemaking hearing. TCA Section 4-5-205*

<b>Agency/Board/Commission:</b>	Tennessee State Board of Accountancy
<b>Division:</b>	Division of Regulatory Boards, Department of Commerce and Insurance
<b>Contact Person:</b>	Chris Whittaker
<b>Address:</b>	500 James Robertson Parkway; Nashville, TN
<b>Zip:</b>	37243
<b>Phone:</b>	(615) 741-3072
<b>Email:</b>	<a href="mailto:Chris.Whittaker@tn.gov">Chris.Whittaker@tn.gov</a>

**Revision Type (check all that apply):**

- Amendment  
 New  
 Repeal

**Rule(s) Revised (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please enter only ONE Rule Number/Rule Title per row)**

Chapter Number	Chapter Title
0020-01	Licensing and Registration Requirements
Rule Number	Rule Title
0020-01.01	Definitions
0020-01.04	Fees
0020-01.06	Examinations
0020-01.08	Renewal of Licenses
0020-01.13	Interstate Practice

Chapter Number	Chapter Title
0020-02	Educational and Experience Requirements
Rule Number	Rule Title
0020-02.02	Education

Chapter Number	Chapter Title
0020-03	Rules of Professional Conduct
Rule Number	Rule Title
0020-03.16	Notification to the Board

Chapter Number	Chapter Title
0020-05	Continuing Education
Rule Number	Rule Title
0020-05.03	Basic Requirements
0020-05.04	Qualifying Programs

<b>Chapter Number</b>	<b>Chapter Title</b>
0020-06	Peer Review Program
<b>Rule Number</b>	<b>Rule Title</b>
0020-06.04	Basic Requirements

Chapter 0020-01  
Board of Accountancy, Licensing and Registration Requirements

Amendments

Rule 0020-01-.01(1) Definitions is amended to add a definition for "Expired License" as new subparagraph (h), to read as follows:

- (h) "Expired License" means a license that is more than one year past the expiration date of the license;

Authority: T.C.A. §§ 62-1-103, 62-1-105, 62-1-105(e), 62-1-108 and 62-1-111(a)(12).

Rule 0020-01-.04(1) Fees is amended by amending subparagraphs (f) and (g) to read as follows:

- (f) Fee for late filing of permit, certificate, or registration renewal application  
One hundred dollars (\$100.00)
- (g) Fee for application for reinstatement Two hundred and fifty dollars (\$250.00)

Authority: T.C.A. §§ 62-1-105 and 62-1-107.

Rule 0020-01-.06 Examinations is amended by deleting paragraph (6) in its entirety and by deleting subparagraph (7)(b) in its entirety.

Authority: T.C.A. §§ 62-1-105 and 62-1-106.

Rule 0020-01-.08 Renewal of Licenses is amended by deleting paragraph (8) in its entirety and by amending paragraphs (5), (6), and (7) to read as follows:

- (5) The Board may request additional evidence from licensees for continuing professional education requirements including continuing professional education audits (which require CPE course completion documentation).
- (6) Licenses which are between one day and one year past the expiration date of the license shall be considered delinquent. Licensees that renew between thirty-one (31) days and one (1) year following their expiration date will be assessed a late fee in the amount of \$100.00.
- (7) Licenses which are more than one (1) year past the expiration date on the license shall be deemed to have expired. Any individual wishing to reinstate an expired license shall comply with paragraph (4) of this rule and paragraph (6) of rule 0020-5-.03. The CPE hours required to be completed to reinstate an expired license are considered penalty hours and may not be used to offset the CPE hours required for the renewal of a license.

Authority: T.C.A. §§ 62-1-105, 62-1-107, 62-1-108, 62-1-109, and 62-1-111.

Rule 0020-01-.13 Interstate Practice is amended by deleting subparagraph (2)(a) in its entirety, deleting subparagraph (2)(b) in its entirety, and by adding a new paragraph (4) to read as follows:

- (4) Any Tennessee licensee who lives in another state and who wishes to practice accountancy under this chapter must maintain his or her Tennessee license in good standing in order to do so.

Authority: T.C.A. §§ 62-1-105, 62-1-107, 62-1-110, 62-1-111, 62-1-113, and 62-1-114.

Chapter 0020-02  
Educational and Experience Requirements

Amendments

Rule 0020-02-.02 Education is amended by amending subparagraphs (1)(a), (1)(b), and paragraph (3) to read as follows:

- (1) An applicant will be deemed to have met the educational requirement if the applicant has earned a baccalaureate or higher degree from an accredited educational institution and obtained the minimum number of hours required by Tenn. Code Ann. § 62-1-106(c) which includes:
  - (a) At least thirty (30) semester or forty-five (45) quarter hours of accounting education including the elementary level;
  - (b) Not more than three (3) semester or four (4) quarter hours may be internship programs which may be applied to the thirty (30) semester or forty-five (45) quarter hours in accounting; and,
- (3) For purposes of this rule, candidates must have at least twenty-four (24) semester or thirty-six (36) quarter hours of accounting courses at the upper division level, junior level courses or higher.

Authority: T.C.A. §§ 62-1-105 and 62-1-106.

Chapter 0020-03  
Rules of Professional Conduct

Amendments

Rule 0020-03-.16 Notification to the Board is amended by amending paragraph (1) to read as follows:

- (1) A licensee shall notify the Board in writing within thirty (30) days of any change of name, mailing address, e-mail address, and, in the case of individual licensees, change of employment.

Authority: T.C.A. §§ 62-1-105 and 62-1-111.

Chapter 0020-05  
Continuing Education

Amendments

Rule 0020-05-.03 Basic Requirements is amended by amending subparagraph (1)(b) and by adding a new subparagraph (7)(c) to read as follows:

- (1) A license holder seeking regular biennial renewal shall, as a prerequisite for such renewal, show that he or she has completed no less than eighty (80) hours of qualified continuing professional education during the two (2)-year period immediately preceding renewal with a minimum of twenty (20) hours in each year with specifications as follows:
  - (b) All license holders shall complete a board-approved two (2) hour state-specific ethics course designed to familiarize the licensee with accountancy law and rules as well as professional ethics;
- (7) A non-resident licensee seeking renewal of a license in this state shall meet the CPE requirement of this rule by meeting the CPE requirements for renewal of a license in the state in which the licensee's principal office is located.

- (c) If the state in which a non-resident licensee's principal office is located does not require a course in ethics, the non-resident licensee shall complete the ethics requirement for this state as set forth in rule 0020-5-.03(1)(b).

Authority: T.C.A. §§ 62-1-105, 62-1-107, and 62-1-111.

Rule 0020-05-.04 Qualifying Programs is amended by amending paragraph (6) to read as follows:

(6) In the board's discretion, continuing education credit may be allowed for writing articles and books, provided that their preparation contributes to the professional competence of the license holder. Credit for such preparation may be awarded on a self-declaration basis of up to fifty percent (50%) of the two (2) year continuing education requirement. Additional credit may be awarded in exceptional circumstances, upon the written request of the license holder, accompanied by a copy of the article(s) or books(s) and a statement of justification. No credit shall be given for unpublished book(s) or article(s).

Authority: T.C.A. §§ 62-1-105 and 62-1-107.

Chapter 0020-06  
Peer Review Program

Amendments

Rule 0020-06-.04 Basic Requirements is amended by amending paragraph (2) and paragraph (4) to read as follows:

- (2) Each firm that performs one or more audit engagements shall have an on-site peer review. Firms that perform only compilations or reviews in accordance with SSARS shall have either an on-site or off-site peer review.
- (4) Failure of a firm to be enrolled in a board-approved peer review program in a timely manner will result in the denial of the firm's permit to practice.

Authority: T.C.A. §§ 62-1-105 and 62-1-201.

\* If a roll-call vote was necessary, the vote by the Agency on these rulemaking hearing rules was as follows:

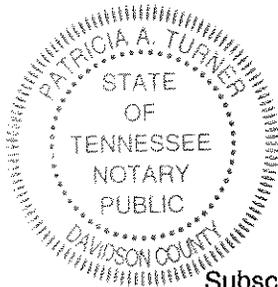
Board Member	Aye	No	Abstain	Absent	Signature (if required)
Stanley Sawyer	X				
C. Don Royston	X				
Lisa Stickel	X				
Douglas Warren	X				
R. Kenneth Cozart	X				
Alfred Creswell	X				
Shannone Raybon	X				
Casey Stuart	X				
William Blaufuss	X				
Jennifer Brundige	X				
Vic Alexander				X	

I certify that this is an accurate and complete copy of rulemaking hearing rules, lawfully promulgated and adopted by the Tennessee State Board of Accountancy (board/commission/ other authority) on 05/06/2011 (mm/dd/yyyy), and is in compliance with the provisions of TCA 4-5-222.

I further certify the following:

Notice of Rulemaking Hearing filed with the Department of State on: (03/10/11)

Rulemaking Hearing(s) Conducted on: (add more dates). (05/06/11)



Date: 03/05/12

Signature: [Handwritten Signature]

Name of Officer: Christopher R. Whittaker, Esq.

Title of Officer: Asst. General Counsel - Tennessee Dept. of Commerce + Insurance

Subscribed and sworn to before me on: 3-5-12

Notary Public Signature: [Handwritten Signature]

My commission expires on: 5-15-15

All rulemaking hearing rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

[Handwritten Signature]  
 Robert E. Cooper, Jr.  
 Attorney General and Reporter  
3-13-12  
 Date

Department of State Use Only

Filed with the Department of State on: 03/26/2012

Effective on: 06/24/2012

Tre Hargett  
Tre Hargett  
Secretary of State

RECEIVED  
2012 MAR 26 PM 12: 57  
SECRETARY OF STATE  
PUBLICATIONS

## Public Hearing Comments

There were two comments received in response to these proposed rule changes. Below is a summary of the comments and a summary of the Board's response to each comment:

The first comment was sent in writing to the Board from Mr. Gary Tucker, Jr., an Alabama-based CPA regarding the proposed change to Rule 0020-02-.02(1)(a), which would change the number of accounting hours, including elementary level courses, required as part of the overall one hundred and fifty hour educational requirement for all licensees from a minimum of twenty-four (24) hours to a minimum of thirty (30) hours. Because Mr. Tucker states in his letter that he has only twenty (20) hours of accounting education, he would appear to be unable to sit for the Tennessee CPA exam even under the twenty-four (24) hour requirement. Because he claims to have more than ten (10) years of experience in the profession, he requested that the Board consider offsetting up to ten (10) hours of the proposed new thirty (30) hour educational requirement with relevant work experience.

The Board thoroughly discussed and considered Mr. Tucker's proposal. The Board ultimately declined to adopt Mr. Tucker's suggested amendment because they believe that the proposed change in the educational requirement will strengthen the base of accounting knowledge for Tennessee licensees, thereby resulting in more competent CPAs to serve the citizens of Tennessee.

The second comment was sent in writing to the Board from David Costello, President and CEO of the National Associations of State Boards of Accountancy ("NASBA"). Mr. Costello wrote in opposition to the proposed change to Rule 0020-05-.03(1)(b), which would only require licensees to complete two (2) hours of Tennessee state-specific Ethics CPE for each two year renewal period, whereas the current rule require four (4) hours of general Ethics CPE. Mr. Costello's argued that more Ethics hours, not less, would be preferable, especially given the recent wave of accounting scandals around the nation over the past several years. As such, he recommended that the Board leave the current four (4) hour general Ethics CPE requirement in place.

The Board thoroughly discussed and considered Mr. Costello's proposal. The Board ultimately decided to proceed with the rule change on the basis that the proposed rule change would still require licensees to obtain Ethics CPE every renewal period, that it would free up two (2) hours of CPE credit each renewal period to allow licensees to increase their technical knowledge of the profession, and that it would also expose licensees to Tennessee state-specific Ethics issues every renewal period.

### Regulatory Flexibility Addendum

Pursuant to T.C.A. § 4-5-401 through 4-5-404, prior to initiating the rule making process as described in T.C.A. § 4-5-202(a)(3) and T.C.A. § 4-5-202(a), all agencies shall conduct a review of whether a proposed rule or rule affects small businesses.

1. Overlap, duplicate, or conflict with other federal, state, and local governmental rules:

There will be no overlap, duplication, or conflict with other federal, state or local governmental rules.

2. Clarity, conciseness, and lack of ambiguity in the rules:

The rules are clear in purpose and intended execution. The implementation of the proposed rule changes will increase clarity and conciseness and decrease ambiguity in the rules as a whole.

3. Flexible compliance and/or reporting requirements for small businesses:

The proposed rule changes impose no compliance and reporting requirements on small businesses.

4. Friendly schedules or deadlines for compliance and/or reporting requirements:

The proposed rule changes impose no additional compliance and reporting requirements on small businesses beyond those which already exist.

5. Consolidation or simplification of compliance or reporting requirements:

The proposed rule changes impose no additional compliance and reporting requirements on small businesses beyond those which already exist.

6. Performance standards for small businesses:

The proposed rule changes impose no new performance standards on small businesses.

7. Barriers or other effects that stifle entrepreneurial activity, curb innovation, or increase costs:

Rule 0020-01-.04(1)(f) increases the fee for licensees who are late in filing for the renewal of their permit, certificate, or registration from \$ 50.00 to \$ 100.00. This Board rarely increases fees, and it does so sparingly, mindful of the impact fee increases can have on individual licensees and CPA firms. However, the Board has determined that this small fee increase is necessary in order to defray the costs of bringing licensees whose licenses have expired into legal compliance and back into good standing to practice accountancy.

## **Impact on Local Governments**

Pursuant to T.C.A. 4-5-220 and 4-5-228 "any rule proposed to be promulgated shall state in a simple declarative sentence, without additional comments on the merits of the policy of the rules or regulation, whether the rule or regulation may have a projected impact on local governments." (See Public Chapter Number 1070 (<http://state.tn.us/sos/acts/106/pub/pc1070.pdf>) of the 2010 Session of the General Assembly)

None of these rule changes are projected to have any impact on local governments.

## Additional Information Required by Joint Government Operations Committee

All agencies, upon filing a rule, must also submit the following pursuant to TCA 4-5-226(i)(1).

- (A) A brief summary of the rule and a description of all relevant changes in previous regulations effectuated by such rule;

1.) Rule 0020-1-.1(1): Subsection (h) was added to this rule to provide a definition for "expired license". Under the current rule, substantial ambiguity exists regarding what is required of a licensee to reinstate his license after his license expires. This definition clarifies when a license is in "expired" status, which means that the licensee must file a reinstatement application in order to get his license reinstated to good standing.

2.) Rule 0020-1-.4(1): Even though the rule heading under the current rules reads "Fees", subsections (f) and (g) under current rules incorrectly refer to the fees for the late filing of a certificate and for the reinstatement of a license as a "penalty". This ambiguity has caused confusion for licensees who are disciplined by the Board by being ordered to pay a civil penalty. More than one licensee who was subject to board discipline asked why he was being required to pay a "penalty" for a late-filed certificate or reinstatement application when he had already paid a civil penalty as part of the Consent Order which resolved the disciplinary complaint against him. Therefore, the purpose of this rule change is to clarify that money paid by licensees for a late-filed certificate or for reinstatement of a license are properly labeled as "fees", not as a "penalty". Additionally, as part of the rule change for subsection (f), the Board approved an increase in the fee for the late filing of a certificate or firm permit from fifty dollars (\$ 50.00) to one hundred dollars (\$ 100.00) in order to defray the costs incurred by the Board staff in bringing past due licenses current. The fiscal impact of this proposed fee increase is minimal.

3.) Rule 0020-1-.6: Subsection (6) and subsection (7)(b) were both deleted because these subsections refer to the written CPA exam. The CPA exam is now only offered electronically via computer. Therefore, these subsections are obsolete.

4.) Rule 0020-1-.8: Subsection (5) was amended by deleting the second sentence of the current rule regarding the listing of CPE courses on license renewal forms. This language caused some confusion for licensees regarding what they had to list on their renewal forms regarding CPE courses. Because the first sentence of subsection (5) was and is sufficient to specify the Board's authority to request additional information from licensees regarding their CPE credits, the second sentence was deleted. Subsection (6) was amended to clarify that money paid to the Board by a licensee for the late renewal of a license is a fee, not a penalty. Additionally, subsection (6) was amended to specify that the amount of the fee assessed to a licensee for late renewal of a license will be \$ 100.00, whereas the current rule does not specify the amount of the late renewal fee. Subsection (7) was deleted in its entirety because the subject matter covered by current subsection (7) is now thoroughly addressed in amended subsection (6). Renumbered subsection (7) (formerly subsection (8)) was amended to clarify that a license which is not renewed within one (1) year of its expiration date has expired. Whereas the current rule states that a license not renewed within one (1) year of expiration has "lapsed" (a term not defined anywhere in the law or rules), the amended rule refers to such licenses as expired, a term which is now defined as a result of these rule changes.

5.) Rule 0020-1-.13: Subsections (2)(a) and (2)(b) were deleted because they referred to temporary practice permits. Because multi-jurisdictional practice in and from Tennessee is now governed by mobility, Tennessee no longer issues temporary practice permits. Therefore, these subsections are obsolete. New subsection (4) was added to ensure that any Tennessee licensee who practices under mobility in another state must maintain his Tennessee license in good standing in order to do so.

6.) Rule 0020-2-.2: Subsection (1)(a) increases the number of accounting hours, including the elementary level, which must be obtained as part of the 150 hours of education required of all licensees from twenty-four (24) semester or thirty-six (36) quarter hours to thirty (30) semester hours or forty-five (45) quarter hours. Subsection (1)(b) is not substantively amended in any way. Rather, it is amended to reflect the 24/36 to 30/45 credit hour change described in the amended subsection (1)(a). Subsection (3) was amended to increase the number of upper level course credit hours required of licensees from twelve (12) semester or eighteen (18) quarter hours to twenty-four (24) semester or thirty-six (36) quarter hours. These changes shall only apply to individuals applying for a new CPA license after the effective date of these proposed changes.

7.) Rule 0020-3-.16: Paragraph (1) is amended to require that a licensee provide an e-mail address to the

Board, and that they notify the Board whenever there is a change in their e-mail address.

8.) Rule 0020-5-3: Subparagraph (1)(b) is amended to require a licensee to complete two (2) hours of Tennessee state-specific Ethics CPE as part of his 80 hour biannual CPE requirement, whereas the current rule requires a four (4) hour Ethics course which is not required to be state-specific. Because some jurisdictions have no Ethics CPE requirement, new subparagraph (7)(c) is added to ensure that any CPA practicing in Tennessee completes at least the minimum amount of Ethics CPE required by Tennessee's law and rules.

9.) Rule 0020-5-4: Paragraph (6) is amended to provide specific guidance to licensees as to how much CPE credit they may be granted for any articles or books they write. Specifically, the amendment makes clear that the article or book for which the licensee is attempting to claim CPE credit must be published, and that the Board has sole discretion regarding how much, if any, CPE credit they decide to award for such articles or books.

10.) Rule 0020-6-4: Paragraph (2) is amended by deleting the word "location" from the current rule. CPA firms may have one location or more than one location. Regardless of the number of locations, the firm itself has only one peer review obligation to cover all its locations, not an obligation for every location of the firm to have a separate peer review. Paragraph (4) is also amended by deleting the word "location", and for the same reason as amended paragraph (2) above.

(B) A citation to and brief description of any federal law or regulation or any state law or regulation mandating promulgation of such rule or establishing guidelines relevant thereto;

The proposed rule changes are not mandated by any statute or rule at either the federal or state level.

(C) Identification of persons, organizations, corporations or governmental entities most directly affected by this rule, and whether those persons, organizations, corporations or governmental entities urge adoption or rejection of this rule;

The amendment to the Tennessee State Board of Accountancy rules will affect applicants seeking a CPA license from the Board. The only feedback received by the Board from the individuals and/or entities who will be affected by these rule changes were the letters more fully described in the "Public Hearing Comments" Section of this document.

(D) Identification of any opinions of the attorney general and reporter or any judicial ruling that directly relates to the rule;

I am unaware of any opinion of the attorney general or any judicial ruling which directly relates to these rules.

(E) An estimate of the probable increase or decrease in state and local government revenues and expenditures, if any, resulting from the promulgation of this rule, and assumptions and reasoning upon which the estimate is based. An agency shall not state that the fiscal impact is minimal if the fiscal impact is more than two percent (2%) of the agency's annual budget or five hundred thousand dollars (\$500,000), whichever is less;

With the exception of the proposed change to Rule 0020-1-.4(f), these rule changes are not expected to result in any increase or decrease in state and/or local government revenue and expenditures. The proposed change to Rule 0020-1-.4(f) will result in a revenue increase for the agency. However, the expected revenue increase will be minimal because the expected revenue increase is not more than 2% of the agency's annual budget and is not more than \$ 500,000.00.

(F) Identification of the appropriate agency representative or representatives, possessing substantial knowledge and understanding of the rule;

Mark Crocker, Executive Director for the Tennessee State Board of Accountancy; Chris Whittaker, Assistant General Counsel for the Tennessee State Board of Accountancy.

(G) Identification of the appropriate agency representative or representatives who will explain the rule at a scheduled meeting of the committees;

Chris Whittaker, Assistant General Counsel for the Tennessee State Board of Accountancy

(H) Office address, telephone number, and email address of the agency representative or representatives who will explain the rule at a scheduled meeting of the committees; and

500 James Robertson Pkwy., Nashville, TN 37243; (615) 741-3072; [chris.whittaker@tn.gov](mailto:chris.whittaker@tn.gov)

(I) Any additional information relevant to the rule proposed for continuation that the committee requests.

N/A

DEEDONE

Department of State  
Division of Publications  
312 Rosa L. Parks Avenue, 8th Floor Snodgrass/TN Tower  
Nashville, TN 37243  
Phone: 615-741-2650  
Fax: 615-741-5133  
Email: [register.information@tn.gov](mailto:register.information@tn.gov)

For Department of State Use Only

Sequence Number: 03-2170  
Rule ID(s): 5776-5780  
File Date: 03/26/2012  
Effective Date: 06/24/2012

# Rulemaking Hearing Rule(s) Filing Form

Rulemaking Hearing Rules are rules filed after and as a result of a rulemaking hearing. TCA Section 4-5-205

<b>Agency/Board/Commission:</b>	Tennessee State Board of Accountancy
<b>Division:</b>	Division of Regulatory Boards, Department of Commerce and Insurance
<b>Contact Person:</b>	Chris Whittaker
<b>Address:</b>	500 James Robertson Parkway; Nashville, TN
<b>Zip:</b>	37243
<b>Phone:</b>	(615) 741-3072
<b>Email:</b>	Chris.Whittaker@tn.gov

**Revision Type (check all that apply):**

- Amendment
- New
- Repeal

Rule(s) Revised (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please enter only ONE Rule Number/Rule Title per row)

Chapter Number	Chapter Title
0020-01	Licensing and Registration Requirements
Rule Number	Rule Title
0020-01.01	Definitions
0020-01.04	Fees
0020-01.06	Examinations
0020-01.08	Renewal of Licenses
0020-01.13	Interstate Practice

Chapter Number	Chapter Title
0020-02	Educational and Experience Requirements
Rule Number	Rule Title
0020-02.02	Education

Chapter Number	Chapter Title
0020-03	Rules of Professional Conduct
Rule Number	Rule Title
0020-03.16	Notification to the Board

Chapter Number	Chapter Title
0020-05	Continuing Education
Rule Number	Rule Title
0020-05.03	Basic Requirements
0020-05.04	Qualifying Programs

<b>Chapter Number</b>	<b>Chapter Title</b>
0020-06	Peer Review Program
<b>Rule Number</b>	<b>Rule Title</b>
0020-06.04	Basic Requirements

Chapter 0020-01  
Board of Accountancy, Licensing and Registration Requirements

Amendments

Rule 0020-01-.01(1) Definitions is amended to add a definition for "Expired License" as new subparagraph (h), to read as follows:

- (h) "Expired License" means a license that is more than one year past the expiration date of the license;

Authority: T.C.A. §§ 62-1-103, 62-1-105, 62-1-105(e), 62-1-108 and 62-1-111(a)(12).

Rule 0020-01-.04(1) Fees is amended by amending subparagraphs (f) and (g) to read as follows:

- (f) Fee for late filing of permit, certificate, or registration renewal application  
One hundred dollars (\$100.00)
- (g) Fee for application for reinstatement Two hundred and fifty dollars (\$250.00)

Authority: T.C.A. §§ 62-1-105 and 62-1-107.

Rule 0020-01-.06 Examinations is amended by deleting paragraph (6) in its entirety and by deleting subparagraph (7)(b) in its entirety.

~~(6) All examination candidates who took a written examination prior to April, 2004 shall be required to pass all sections of the examination provided for in T.C.A. § 62-1-106(d), in order to qualify for a certificate.~~

~~(7) The following shall apply to the computer-based Uniform CPA Examination:~~

- ~~(b) Candidates having earned conditional credits on the written examination, as of the start date of the computer-based Uniform CPA Examination, will retain conditional credits. "Conditional credits" means credits earned by a candidate from the written exam that are credited toward the computerized exam. The following conditional credits are for the corresponding test sections of the computer-based CPA Examination:~~

<u>Written Examination</u>		<u>Computer-Based Examination</u>
Auditing	=	Auditing and Attestation
Financial Accounting and Reporting (FARE)	=	Financial Accounting and Reporting (FAR)
Accounting and Reporting (ARE)	=	Regulation (REG)
Business Law and Professional Responsibilities (LPR)	=	Business Environment and Concepts (BEC)

~~1. A candidate who has attained conditional credits as of the start date of the computer-based Uniform CPA Examination will be allowed a transition period to complete any remaining test sections of the CPA examination. The transition is the maximum number of opportunities that candidates who have attained conditional credits under the written examination have remaining, at the launch of the computer-based examination, to complete all remaining test sections, or the number of remaining opportunities under the written examination, multiplied by six (6) months, whichever is first exhausted.~~

~~2. If a candidate with conditional credits does not pass all remaining test sections during the transition period, the conditional credits earned under the paper and pencil examination will expire and the candidate will lose credit for the test sections passed under the paper and pencil examination. Any test section(s) passed during the transition period is subject~~

~~to the conditional provisions indicated in this section. However, a candidate with conditional credits will not lose credit for a test section of the computer-based examination that is passed during the transition period, even though more than six (6) three-month cycles may have elapsed from the date the test section is passed, until the end of the transition period.~~

Authority: T.C.A. §§ 62-1-105 and 62-1-106.

Rule 0020-01-.08 Renewal of Licenses is amended by deleting paragraph (8) in its entirety and by amending paragraphs (5), (6), and (7) to read as follows:

- ~~(5) — The Board may request additional evidence from licensees for continuing professional education requirements including continuing professional education audits (which require CPE course completion documentation). Listings of CPE courses on renewal forms are required; however, the listings are not considered evidence for this rule.~~
- (5) The Board may request additional evidence from licensees for continuing professional education requirements including continuing professional education audits (which require CPE course completion documentation).
- ~~(6) — Licensees that renew more than thirty-one (31) days but less than three (3) months following their expiration date will be assessed a late penalty.~~
- (6) Licensees that renew more than thirty-one (31) days but less than one (1) year following their expiration date will be assessed a late fee in the amount of \$ 100.00.
- ~~(7) — Licensees that renew more than three (3) months but less than one (1) year after their expiration date will be assessed an additional late penalty.~~
- ~~(8) — Licenses not renewed within one (1) year of the expiration date shall be deemed to have lapsed. Any individual desiring to reinstate a lapsed license shall comply with the requirements of paragraph four (4) of this rule and paragraph six (6) of rule 0020-5-.03. The CPE hours required to be completed to reinstate a lapsed license are considered penalty hours and may not be used to offset the CPE hours required for the renewal of a license.~~
- (7) Licenses not renewed within one (1) year of the expiration date shall be deemed to have expired. Any individual wishing to reinstate an expired license shall comply with paragraph (4) of this rule and paragraph (6) of rule 0020-5-.03. The CPE hours required to be completed to reinstate an expired license are considered penalty hours and may not be used to offset the CPE hours required for the renewal of a license.

Authority: T.C.A. §§ 62-1-105, 62-1-107, 62-1-108, 62-1-109, and 62-1-111.

Rule 0020-01-.13 Interstate Practice is amended by deleting subparagraph (2)(a) in its entirety, deleting subparagraph (2)(b) in its entirety, and by adding a new paragraph (4) to read as follows:

- ~~(2) — Fees~~
- ~~(a) — An individual intending to practice public accountancy in Tennessee under T.C.A. § 62-1-117 shall make application and file a notice of such intent with the Board's designee, NASBA. The application shall be accompanied by the applicable nonrefundable fee.~~
- ~~(b) — Alternatively, an individual CPA may choose to file a notification form with the Board office stating the intent to practice public accountancy in Tennessee. The individual CPA must be in good standing and licensed in any other state. The CPA may practice in this manner as long as the individual does not reside in Tennessee and pays the Board an annual fee as determined by the Board. Each notice shall be accompanied by a nonrefundable fee of fifty dollars (\$ 50.00).~~
- (4) Any Tennessee licensee who lives in another state and who wishes to practice accountancy under this chapter must maintain his or her Tennessee license in good standing in order to do so.

Authority: T.C.A. §§ 62-1-105, 62-1-107, 62-1-110, 62-1-111, 62-1-113, and 62-1-114.

Chapter 0020-02  
Educational and Experience Requirements

Amendments

Rule 0020-02-.02 Education is amended by amending subparagraphs (1)(a), (1)(b), and paragraph (3) to read as follows:

- (1) An applicant will be deemed to have met the educational requirement if the applicant has earned a baccalaureate or higher degree from an accredited educational institution and obtained the minimum number of hours required by Tenn. Code Ann. § 62-1-106(c) which includes:
  - ~~(a) At least twenty-four (24) semester or thirty-six (36) quarter hours of accounting education including the elementary level;~~
  - (a) At least thirty (30) semester or forty-five (45) quarter hours of accounting education including the elementary level;
  - ~~(b) Not more than three (3) semester or four (4) quarter hours may be internship programs which may be applied to the twenty-four (24) semester hours or thirty-six (36) quarter hours in accounting; and,~~
  - (b) Not more than three (3) semester or four (4) quarter hours may be internship programs which may be applied to the thirty (30) semester or forty-five (45) quarter hours in accounting; and,
- ~~(3) For purposes of this rule, candidates must have at least twelve (12) semester or eighteen (18) quarter hours of accounting education and at least twelve (12) semester or eighteen (18) quarter hours of general business courses at the upper division level, junior level courses or higher.~~
- (3) For purposes of this rule, candidates must have at least twenty-four (24) semester or thirty-six (36) quarter hours of accounting courses at the upper division level, junior level courses or higher.

Authority: T.C.A. §§ 62-1-105 and 62-1-106.

Chapter 0020-03  
Rules of Professional Conduct

Amendments

Rule 0020-03-.16 Notification to the Board is amended by amending paragraph (1) to read as follows:

- ~~(1) A licensee shall notify the Board in writing within thirty (30) days of any change of name, address, and, in the case of individual licensees, change of employment.~~
- (1) A licensee shall notify the Board in writing within thirty (30) days of any change of name, mailing address, e-mail address, and, in the case of individual licensees, change of employment.

Authority: T.C.A. §§ 62-1-105 and 62-1-111.

Chapter 0020-05  
Continuing Education

Amendments

Rule 0020-05-.03 Basic Requirements is amended by amending subparagraph (1)(b) and by adding a new subparagraph (7)(c) to read as follows:

- (1) A license holder seeking regular biennial renewal shall, as a prerequisite for such renewal, show that he or she has completed no less than eighty (80) hours of qualified continuing professional education during the two (2)-year period immediately preceding renewal with a minimum of twenty (20) hours in each year with specifications as follows:
  - ~~(b) All license holders shall complete a board-approved four (4) hour ethics course designed to familiarize the licensee with the accountancy law and rules as well as professional ethics.~~
  - (b) All license holders shall complete a board-approved two (2) hour state-specific ethics course designed to familiarize the licensee with accountancy law and rules as well as professional ethics;
- (7) A non-resident licensee seeking renewal of a license in this state shall meet the CPE requirement of this rule by meeting the CPE requirements for renewal of a license in the state in which the licensee's principal office is located.
  - (c) If the state in which a non-resident licensee's principal office is located does not require a course in ethics, the non-resident licensee shall complete the ethics requirement for this state as set forth in rule 0020-5-.03(1)(b).

Authority: T.C.A. §§ 62-1-105, 62-1-107, and 62-1-111.

Rule 0020-05-.04 Qualifying Programs is amended by amending paragraph (6) to read as follows:

- ~~(6) Continuing education credit may be allowed for writing articles and books, provided that their preparation contributes to the professional competence of the license holder. Credit for such preparation may be awarded on a self-declaration basis of up to fifty percent (50%) of the two (2) year continuing education requirement. Additional credit may be awarded in exceptional circumstances, upon the written request of the license holder, accompanied by a copy of the article(s) or book(s) and a statement of justification.~~
- (6) In the Board's discretion, continuing education credit may be allowed for writing articles and books, provided that their preparation contributes to the professional competence of the license holder. Credit for such preparation may be awarded on a self-declaration basis of up to fifty percent (50%) of the two (2) year continuing education requirement. Additional credit may be awarded in exceptional circumstances, upon the written request of the license holder, accompanied by a copy of the article(s) or books(s) and a statement of justification. No credit shall be given for unpublished book(s) or article(s).

Authority: T.C.A. §§ 62-1-105 and 62-1-107.

#### Chapter 0020-06 Peer Review Program

#### Amendments

Rule 0020-06-.04 Basic Requirements is amended by amending paragraph (2) and paragraph (4) to read as follows:

- ~~(2) Each firm location that performs one (1) or more audit engagement(s) shall have an on-site peer review. Firm locations that perform only compilations or reviews in accordance with SSARS shall have either an on-site or off-site peer review.~~
- (2) Each firm that performs one or more audit engagements shall have an on-site peer review. Firms that perform only compilations or reviews in accordance with SSARS shall have either an on-site or off-site peer review.
- ~~(4) Failure of a firm location to be included in a peer review performed in a timely manner may result in the denial of the location's permit to practice.~~
- (4) Failure of a firm to be enrolled in a Board-approved peer review program in a timely manner will result in

the denial of the firm's permit to practice.

Authority: T.C.A. §§ 62-1-105 and 62-2-201.

\* If a roll-call vote was necessary, the vote by the Agency on these rulemaking hearing rules was as follows:

Board Member	Aye	No	Abstain	Absent	Signature (if required)
Stanley Sawyer	X				
C. Don Royston	X				
Lisa Stickel	X				
Douglas Warren	X				
R. Kenneth Cozart	X				
Alfred Creswell	X				
Shannone Raybon	X				
Casey Stuart	X				
William Blaufuss	X				
Jennifer Brundige	X				
Vic Alexander				X	

I certify that this is an accurate and complete copy of rulemaking hearing rules, lawfully promulgated and adopted by the Tennessee State Board of Accountancy (board/commission/ other authority) on 05/06/2011 (mm/dd/yyyy), and is in compliance with the provisions of TCA 4-5-222.

I further certify the following:

Notice of Rulemaking Hearing filed with the Department of State on: (03/10/11)

Rulemaking Hearing(s) Conducted on: (add more dates). (05/06/11)

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Officer: \_\_\_\_\_

Title of Officer: \_\_\_\_\_

Subscribed and sworn to before me on: \_\_\_\_\_

Notary Public Signature: \_\_\_\_\_

My commission expires on: \_\_\_\_\_

All rulemaking hearing rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

\_\_\_\_\_  
Robert E. Cooper, Jr.  
Attorney General and Reporter

\_\_\_\_\_  
Date

**Department of State Use Only**

Filed with the Department of State on: \_\_\_\_\_

Effective on: \_\_\_\_\_

\_\_\_\_\_  
Tre Hargett  
Secretary of State

## Public Hearing Comments

There were two comments received in response to these proposed rule changes. Below is a summary of the comments and a summary of the Board's response to each comment:

The first comment was sent in writing to the Board from Mr. Gary Tucker, Jr., an Alabama-based CPA regarding the proposed change to Rule 0020-02-.02(1)(a), which would change the number of accounting hours, including elementary level courses, required as part of the overall one hundred and fifty hour educational requirement for all licensees from a minimum of twenty-four (24) hours to a minimum of thirty (30) hours. Because Mr. Tucker states in his letter that he has only twenty (20) hours of accounting education, he would appear to be unable to sit for the Tennessee CPA exam even under the twenty-four (24) hour requirement. Because he claims to have more than ten (10) years of experience in the profession, he requested that the Board consider offsetting up to ten (10) hours of the proposed new thirty (30) hour educational requirement with relevant work experience.

The Board thoroughly discussed and considered Mr. Tucker's proposal. The Board ultimately declined to adopt Mr. Tucker's suggested amendment because they believe that the proposed change in the educational requirement will strengthen the base of accounting knowledge for Tennessee licensees, thereby resulting in more competent CPAs to serve the citizens of Tennessee.

The second comment was sent in writing to the Board from David Costello, President and CEO of the National Associations of State Boards of Accountancy ("NASBA"). Mr. Costello wrote in opposition to the proposed change to Rule 0020-05-.03(1)(b), which would only require licensees to complete two (2) hours of Tennessee state-specific Ethics CPE for each two year renewal period, whereas the current rule require four (4) hours of general Ethics CPE. Mr. Costello's argued that more Ethics hours, not less, would be preferable, especially given the recent wave of accounting scandals around the nation over the past several years. As such, he recommended that the Board leave the current four (4) hour general Ethics CPE requirement in place.

The Board thoroughly discussed and considered Mr. Costello's proposal. The Board ultimately decided to proceed with the rule change on the basis that the proposed rule change would still require licensees to obtain Ethics CPE every renewal period, that it would free up two (2) hours of CPE credit each renewal period to allow licensees to increase their technical knowledge of the profession, and that it would also expose licensees to Tennessee state-specific Ethics issues every renewal period.

## Regulatory Flexibility Addendum

Pursuant to T.C.A. § 4-5-401 through 4-5-404, prior to initiating the rule making process as described in T.C.A. § 4-5-202(a)(3) and T.C.A. § 4-5-202(a), all agencies shall conduct a review of whether a proposed rule or rule affects small businesses.

### 1. Overlap, duplicate, or conflict with other federal, state, and local governmental rules:

There will be no overlap, duplication, or conflict with other federal, state or local governmental rules.

### 2. Clarity, conciseness, and lack of ambiguity in the rules:

The rules are clear in purpose and intended execution. The implementation of the proposed rule changes will increase clarity and conciseness and decrease ambiguity in the rules as a whole.

### 3. Flexible compliance and/or reporting requirements for small businesses:

The proposed rule changes impose no compliance and reporting requirements on small businesses.

### 4. Friendly schedules or deadlines for compliance and/or reporting requirements:

The proposed rule changes impose no additional compliance and reporting requirements on small businesses beyond those which already exist.

### 5. Consolidation or simplification of compliance or reporting requirements:

The proposed rule changes impose no additional compliance and reporting requirements on small businesses beyond those which already exist.

### 6. Performance standards for small businesses:

The proposed rule changes impose no new performance standards on small businesses.

### 7. Barriers or other effects that stifle entrepreneurial activity, curb innovation, or increase costs:

Rule 0020-01-.04(1)(f) increases the fee for licensees who are late in filing for the renewal of their permit, certificate, or registration from \$ 50.00 to \$ 100.00. This Board rarely increases fees, and it does so sparingly, mindful of the impact fee increases can have on individual licensees and CPA firms. However, the Board has determined that this small fee increase is necessary in order to defray the costs of bringing licensees whose licenses have expired into legal compliance and back into good standing to practice accountancy.

### **Impact on Local Governments**

Pursuant to T.C.A. 4-5-220 and 4-5-228 "any rule proposed to be promulgated shall state in a simple declarative sentence, without additional comments on the merits of the policy of the rules or regulation, whether the rule or regulation may have a projected impact on local governments." (See Public Chapter Number 1070 (<http://state.tn.us/sos/acts/106/pub/pc1070.pdf>) of the 2010 Session of the General Assembly)

None of these rule changes are projected to have any impact on local governments.

## Additional Information Required by Joint Government Operations Committee

All agencies, upon filing a rule, must also submit the following pursuant to TCA 4-5-226(i)(1).

- (A) A brief summary of the rule and a description of all relevant changes in previous regulations effectuated by such rule;

1.) Rule 0020-1-1(1): Subsection (h) was added to this rule to provide a definition for "expired license". Under the current rule, substantial ambiguity exists regarding what is required of a licensee to reinstate his license after his license expires. This definition clarifies when a license is in "expired" status, which means that the licensee must file a reinstatement application in order to get his license reinstated to good standing.

2.) Rule 0020-1-4(1): Even though the rule heading under the current rules reads "Fees", subsections (f) and (g) under current rules incorrectly refer to the fees for the late filing of a certificate and for the reinstatement of a license as a "penalty". This ambiguity has caused confusion for licensees who are disciplined by the Board by being ordered to pay a civil penalty. More than one licensee who was subject to board discipline asked why he was being required to pay a "penalty" for a late-filed certificate or reinstatement application when he had already paid a civil penalty as part of the Consent Order which resolved the disciplinary complaint against him. Therefore, the purpose of this rule change is to clarify that money paid by licensees for a late-filed certificate or for reinstatement of a license are properly labeled as "fees", not as a "penalty". Additionally, as part of the rule change for subsection (f), the Board approved an increase in the fee for the late filing of a certificate or firm permit from fifty dollars (\$ 50.00) to one hundred dollars (\$ 100.00) in order to defray the costs incurred by the Board staff in bringing past due licenses current. The fiscal impact of this proposed fee increase is minimal.

3.) Rule 0020-1-6: Subsection (6) and subsection (7)(b) were both deleted because these subsections refer to the written CPA exam. The CPA exam is now only offered electronically via computer. Therefore, these subsections are obsolete.

4.) Rule 0020-1-8: Subsection (5) was amended by deleting the second sentence of the current rule regarding the listing of CPE courses on license renewal forms. This language caused some confusion for licensees regarding what they had to list on their renewal forms regarding CPE courses. Because the first sentence of subsection (5) was and is sufficient to specify the Board's authority to request additional information from licensees regarding their CPE credits, the second sentence was deleted. Subsection (6) was amended to clarify that money paid to the Board by a licensee for the late renewal of a license is a fee, not a penalty. Additionally, subsection (6) was amended to specify that the amount of the fee assessed to a licensee for late renewal of a license will be \$ 100.00, whereas the current rule does not specify the amount of the late renewal fee. Subsection (7) was deleted in its entirety because the subject matter covered by current subsection (7) is now thoroughly addressed in amended subsection (6). Renumbered subsection (7) (formerly subsection (8)) was amended to clarify that a license which is not renewed within one (1) year of its expiration date has expired. Whereas the current rule states that a license not renewed within one (1) year of expiration has "lapsed" (a term not defined anywhere in the law or rules), the amended rule refers to such licenses as expired, a term which is now defined as a result of these rule changes.

5.) Rule 0020-1-13: Subsections (2)(a) and (2)(b) were deleted because they referred to temporary practice permits. Because multi-jurisdictional practice in and from Tennessee is now governed by mobility, Tennessee no longer issues temporary practice permits. Therefore, these subsections are obsolete. New subsection (4) was added to ensure that any Tennessee licensee who practices under mobility in another state must maintain his Tennessee license in good standing in order to do so.

6.) Rule 0020-2-2: Subsection (1)(a) increases the number of accounting hours, including the elementary level, which must be obtained as part of the 150 hours of education required of all licensees from twenty-four (24) semester or thirty-six (36) quarter hours to thirty (30) semester hours or forty-five (45) quarter hours. Subsection (1)(b) is not substantively amended in any way. Rather, it is amended to reflect the 24/36 to 30/45 credit hour change described in the amended subsection (1)(a). Subsection (3) was amended to increase the number of upper level course credit hours required of licensees from twelve (12) semester or eighteen (18) quarter hours to twenty-four (24) semester or thirty-six (36) quarter hours. These changes shall only apply to individuals applying for a new CPA license after the effective date of these proposed changes.

7.) Rule 0020-3-16: Paragraph (1) is amended to require that a licensee provide an e-mail address to the

Board, and that they notify the Board whenever there is a change in their e-mail address.

8.) Rule 0020-5-.3: Subparagraph (1)(b) is amended to require a licensee to complete two (2) hours of Tennessee state-specific Ethics CPE as part of his 80 hour biannual CPE requirement, whereas the current rule requires a four (4) hour Ethics course which is not required to be state-specific. Because some jurisdictions have no Ethics CPE requirement, new subparagraph (7)(c) is added to ensure that any CPA practicing in Tennessee completes at least the minimum amount of Ethics CPE required by Tennessee's law and rules.

9.) Rule 0020-5-.4: Paragraph (6) is amended to provide specific guidance to licensees as to how much CPE credit they may be granted for any articles or books they write. Specifically, the amendment makes clear that the article or book for which the licensee is attempting to claim CPE credit must be published, and that the Board has sole discretion regarding how much, if any, CPE credit they decide to award for such articles or books.

10.) Rule 0020-6-.4: Paragraph (2) is amended by deleting the word "location" from the current rule. CPA firms may have one location or more than one location. Regardless of the number of locations, the firm itself has only one peer review obligation to cover all its locations, not an obligation for every location of the firm to have a separate peer review. Paragraph (4) is also amended by deleting the word "location", and for the same reason as amended paragraph (2) above.

- (B) A citation to and brief description of any federal law or regulation or any state law or regulation mandating promulgation of such rule or establishing guidelines relevant thereto;

The proposed rule changes are not mandated by any statute or rule at either the federal or state level.

- (C) Identification of persons, organizations, corporations or governmental entities most directly affected by this rule, and whether those persons, organizations, corporations or governmental entities urge adoption or rejection of this rule;

The amendment to the Tennessee State Board of Accountancy rules will affect applicants seeking a CPA license from the Board. The only feedback received by the Board from the individuals and/or entities who will be affected by these rule changes were the letters more fully described in the "Public Hearing Comments" Section of this document.

- (D) Identification of any opinions of the attorney general and reporter or any judicial ruling that directly relates to the rule;

I am unaware of any opinion of the attorney general or any judicial ruling which directly relates to these rules.

- (E) An estimate of the probable increase or decrease in state and local government revenues and expenditures, if any, resulting from the promulgation of this rule, and assumptions and reasoning upon which the estimate is based. An agency shall not state that the fiscal impact is minimal if the fiscal impact is more than two percent (2%) of the agency's annual budget or five hundred thousand dollars (\$500,000), whichever is less;

With the exception of the proposed change to Rule 0020-1-.4(f), these rule changes are not expected to result in any increase or decrease in state and/or local government revenue and expenditures. The proposed change to Rule 0020-1-.4(f) will result in a revenue increase for the agency. However, the expected revenue increase will be minimal because the expected revenue increase is not more than 2% of the agency's annual budget and is not more than \$ 500,000.00.

- (F) Identification of the appropriate agency representative or representatives, possessing substantial knowledge and understanding of the rule;

Mark Crocker, Executive Director for the Tennessee State Board of Accountancy; Chris Whittaker, Assistant General Counsel for the Tennessee State Board of Accountancy.

(G) Identification of the appropriate agency representative or representatives who will explain the rule at a scheduled meeting of the committees;

Chris Whittaker, Assistant General Counsel for the Tennessee State Board of Accountancy

(H) Office address, telephone number, and email address of the agency representative or representatives who will explain the rule at a scheduled meeting of the committees; and

500 James Robertson Pkwy., Nashville, TN 37243; (615) 741-3072; [chris.whittaker@tn.gov](mailto:chris.whittaker@tn.gov)

(I) Any additional information relevant to the rule proposed for continuation that the committee requests.

N/A