

**Rulemaking Hearing Rules  
Department of Commerce and Insurance  
Division of Regulatory Boards  
Tennessee State Board of Accountancy**

**Substance of Proposed Rules**

**Chapter 0020-1  
Board of Accountancy, Licensing and Registration Requirements**

Amendments

Subparagraph (c) of paragraph (1) of rule 0020-1-.04 Fees is amended by deleting the text of the subparagraph and substituting instead the following so that, as amended, subparagraph (c) shall read:

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| (1) | (c) | Renewal of certificate or registration | Sixty dollars (\$60.00) per year or<br>one hundred twenty dollars<br>(\$120.00) biennially |
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Authority: T.C.A. §§ 62-1-105 and 62-1-107.

Rule 0020-1-.05 Applications is amended by deleting the text of the rule in its entirety and substituting instead the following so that, as amended, the rule shall read:

0020-1-.05 Applications.

- (1) Applications to take the Certified Public Accountant Examination must be made on a form provided by the Board or its designee and filed with the Board or its designee by a due date specified by the Board or its designee in the application form. All applications for initial examination or reexamination shall be accompanied by the current fee being charged by the Board or such entity as is approved by the Board.
- (2) An application will not be considered filed until the application fee and examination fee required by these rules and all required supporting documents have been received, including proof of identity as determined by the Board and specified on the application form, official transcripts and proof that the candidate has satisfied the education requirement.
- (3) A candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination.
- (4) The Board or its designee will forward notification of eligibility for the computer-based examination to NASBA's National Candidate Database.

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

Rule 0020-1-.06 Examinations is amended by deleting the text of the rule in its entirety and substituting instead the following so that, as amended, the rule shall read:

0020-1-.06 Examinations.

- (1) The examination required by T.C.A. §62-1-106(d) shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.
- (2) Eligible candidates shall be notified of the time and place of the examination or shall independently contact the Board, or its designee, or a test center operator identified by the Board to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with (7)(a)(2) below.

- (3) The Board shall cause the examination for certification to be graded by the AICPA. The Board may recognize the grades assigned by the AICPA. Applicants may request a grade review if the Board permits such, and the applicant pays whatever administrative charges that are assessed for a grade review.
- (4) A candidate shall be required to pass all test sections of the examination provided for in T.C.A. § 62-1-106(d) in order to qualify for a certificate. The uniform passing grade shall be established through a psychometrically acceptable standard-setting procedure and approved by the Board.
- (5) The notification given to the exam candidate regarding the grades and requirements that the candidate must achieve to pass a particular exam shall govern the grading of that exam.
- (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:
  - (a) Candidates may take the required test sections individually and in any order. Credit for any test section(s) passed shall be valid for six (6) three-month exam cycles, without having to attain a minimum score on any failed test section(s) and without regard to whether the candidate has taken the remaining test sections.
    1. Candidates must pass all four (4) test sections of the Uniform CPA Examination within the next six (6) three-month exam cycles.
    2. Candidates cannot retake a failed test section(s) in the same examination window. An examination window refers to a three-month cycle in which candidates have an opportunity to take the CPA examination (comprised of two (2) months in which the examination is available to be taken and one (1) month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Candidates may take the examination for two (2) out of the three (3) months within an examination window.
    3. In the event a candidate does not pass all four (4) test sections of the Uniform CPA Examination within the next six (6) three-month cycles, credit for any test section(s) passed outside the six (6) three-month cycles will expire and that test section(s) must be retaken.
  - (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 earned 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.
  - (c) A candidate shall retain credit for any and all test sections of an examination passed in another state if such credit would have been given, under then applicable requirements, if the candidate had taken the examination in this state.
  - (d) The Board may in particular cases extend the term of conditional credit notwithstanding the requirements of these rules, upon a showing that the credit was lost by reason of circumstances beyond the candidate's control.
  - (e) A candidate shall be deemed to have passed the Uniform CPA Examination once the candidate holds at the same time valid credit for passing each of the four (4) test sections of the examination. For purposes of this section, credit for passing a test section of the computer based examination is valid from the actual date of the testing event for that test section, regardless of the date the candidate actually receives notice of the passing grade.
- (8) An applicant may be required to pass an examination covering the rules of ethics and professional conduct promulgated by the Board. Such examination may be part of the examination required in T.C.A. § 62-1-106(d) or may be a separate examination.
- (9) The Board may provide for a third party administering the examination to charge each applicant a fee for each section of the examination or reexamination taken by the applicant.
- (10) The candidate shall schedule each test section with the Board or its designee and pay a candidate testing fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider.
- (11) Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, release of grades, or the issuance of certificates due to a breach of examination security, unauthorized acquisition or disclosure of the contents of an examination, suspected or actual negligence, errors, omissions, or irregularities in conducting an examination, or for any other reasonable cause or unforeseen circumstance.

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

Subparagraph (a) of paragraph (2) of rule 0020-1-.07 Cheating is amended by deleting the text of the subparagraph, and by deleting the text of paragraph (5), and substituting instead the following, so that, as amended, subparagraph (2)(a) and paragraph (5) of rule 0020-1-.07 shall read:

0020-1-.07(2)(a)

- (2) (a) Falsifying or misrepresenting educational credentials, candidate identification, or other information required for admission to the examination;

0020-1-.07(5)

- (5) In any case where the Board or its representative permits a candidate to continue taking the examination, it may, depending on the circumstances:

- (a) Admonish the candidate;
- (b) Keep a record of the candidate's seat location and identifying information, and the names and identifying information of the candidates in close proximity of the candidate;
- (c) Notify the National Candidate Database and the AICPA and/or the test center of the circumstances, so that the candidate may be more closely monitored in future examination sessions.

Authority: T.C.A. §62-1-105.

Rule 0020-1-.08 Renewal of Licenses is amended by deleting the text of the rule in its entirety and substituting instead the following so that, as amended, the rule shall read:

0020-1-.08 Renewal of Licenses.

- (1) All even numbered licenses shall expire on December 31 of each even numbered year and all odd numbered licenses shall expire on December 31 of each odd numbered year. All licenses may be renewed at any time during the month of December in the year in which they expire, by submitting to the Board a completed biennial renewal form and the appropriate fee. For the purpose of this rule the license ID number shall be used.
- (2) An individual or firm choosing not to renew his, her or its license shall notify the Board of his, her or its intention prior to the expiration of that license, and shall surrender the license to the Board immediately upon its expiration.
- (3) Applications for the renewal of certificates and registrations pursuant to the Act shall be made on a form provided by the Board and shall be filed no later than the expiration date set by these rules. Applications will not be considered filed until the applicable fee prescribed in these rules is received.
- (4) Applications for renewal of certificates or registrations shall be accompanied by evidence satisfactory to the Board that the applicant has complied with the continuing professional education requirements under T.C.A. § 62-1-107(d) and Chapter 0020-5 of the Board's rules.
- (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.
- (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.
- (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 (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 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 0020-1-.10 Reinstatement of Revoked or Suspended Licenses is amended by deleting the text of the rule in its entirety and substituting instead the following so that, as amended, the rule shall read:

0020-1-.10 Reinstatement of Revoked or Suspended Licenses.

- (1) A certified public accountant or public accountant whose license has been revoked or suspended and who wishes to reinstate the license shall submit to the Board an application for reinstatement of such license accompanied by the appropriate fee.

- (2) Such application shall consist of a signed and acknowledged petition which shall set forth in full the circumstances surrounding the revocation or suspension of the applicant's license, the applicant's reasons for seeking reinstatement, and any other information the applicant wishes to bring to the attention of the Board.
- (3) Such application shall be submitted to the Board at its next meeting and evaluated and reviewed for presentation at the following meeting.
- (4) In considering an application the Board may consider all activities of the applicant since the revocation or suspension was imposed, the offense for which the applicant was disciplined, the applicant's activities during the time the license was in good standing, the applicant's rehabilitative efforts, the applicant's restitution to damaged parties in the matter for which the discipline was imposed, and the applicant's general reputation for truth and professional probity. The Board may also question the applicant, complainant or individual injured by the applicant.
- (5) After consideration of the applicant's petition, the Board may in its sound discretion reinstate any revoked or suspended license. The Board shall notify such applicant of its decision in writing.
- (6) The Board may impose appropriate terms and conditions for reinstatement of a license or modification of a revocation, suspension or probation.
- (7) No application for reinstatement will be considered while the applicant is under sentence for any criminal offense, including any period during which the applicant is on court imposed probation or parole.
- (8) A certified public accountant or public accountant whose license has been suspended must meet all continuing professional education and renewal fee requirements during the term of the suspension.

Authority: T.C.A. §§62-1-105, 62-1-107 and 62-1-118.

Rule 0020-1-.11 Application and Renewal of CPA and PA Firm Permits is amended by deleting the text of the rule in its entirety and substituting instead the following so that, as amended, the rule shall read:

0020-1-.11 Application and Renewal of CPA and PA Firm Permits.

- (1) Each CPA and/or PA firm providing accounting services or engaged in the practice of public accountancy in this state as a sole proprietorship, partnership or corporation of certified public accountants and/or public accountants shall obtain a permit from the Board for each office location for the ensuing calendar year. Applications for initial issuance and for renewal of permits shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no earlier than two (2) months prior to and no later than the expiration date.
- (2) All CPA and PA firm permits shall expire annually on December 31. Initial applications and renewals will not be considered filed until the applicable fee and all required documents prescribed in these Rules are received by the Board. If an application for renewal is filed late, it shall also be accompanied by the appropriate late renewal penalty.
- (3) Initial applications and renewals for each office location shall disclose the following information and shall be signed by the resident manager of the office location.
  - (a) The name of the firm;
  - (b) The firm's organizational structure;
  - (c) The address of the office location;
  - (d) The name and address of each individual with an equity or voting interest in the firm;
  - (e) A listing of the percentage of equity ownership and voting rights of each owner of the firm;

- (f) The percentage of the firm's normal business hours that each non-CPA owner spends working at the firm;
  - (g) The name, address, and certificate number of each certified public accountant or public accountant employed at the office location;
  - (h) The name, address and certificate number of the resident manager of the office location;
  - (i) The name and certificate number of each person responsible for supervising or providing attest services as contemplated by T.C.A. § 62-1-108(c)(2). The firm's initial application must include a completed experience affidavit for each of these individuals; and
  - (j) The type of peer review program in which the firm participates along with proof of compliance in a manner acceptable to the board.
- (4) Every office location shall comply with the current statutes and rules of the Tennessee State Board of Accountancy.
  - (5) This rule is applicable to offices located outside of this state where such offices are engaged in the practice of public accountancy as CPA firms in this state through any person(s) holding a reciprocal certificate.

Authority: T.C.A. §§62-1-105, 62-1-108, 62-1-111 and 62-1-113.

Paragraph (1) of rule 0020-1-.12 Notification of Firm Changes is amended by deleting the text of the paragraph and substituting instead the following so that, as amended, paragraph (1) of rule 0020-1-.12 shall read:

- (1) Firms established pursuant to T.C.A. §§62-1-108 and/or 62-1-109 shall file with the Board a written notification of any of the following events concerning the practice of public accountancy within this State within thirty (30) days after its occurrence:
  - (a) Formation of a new firm;
  - (b) Addition of a partner, member or shareholder;
  - (c) Retirement, withdrawal or death of a partner, member, manager or shareholder;
  - (d) Any change in the name of the firm;
  - (e) Dissolution of the firm;
  - (f) Change in the management of any office location registered in this State;
  - (g) Establishment of a new office location providing accounting services in this state or the closing or change of address of an office location registered in this State; and
  - (h) The occurrence of any event or events which would cause such firm not to be in conformity with the provisions of the Act or these Rules.

Authority: T.C.A. §§62-1-105, 62-1-108, 62-1-111 and 62-1-113.

Rule 0020-1-.13 Reciprocity and Substantial Equivalency is amended by deleting the text of the rule in its entirety and substituting instead the following, so that, as amended, the rule shall read:

0020-1-.13 Interstate Practice.

- (1) These rules provide two distinct routes for an individual already licensed in another state to be authorized to practice in this state. The applicable route depends upon whether the individual will establish a principal place of business in this state. An individual establishing a principal place of business in this state may

qualify for a reciprocal license if the applicant has met the requirements of T.C.A. §62-1-107. An individual with a principal place of business in another state may offer or render services in this state if the applicant has met the requirements of T.C.A. §62-1-117.

(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. Such individual shall comply with the law and rules of Tennessee and is subject to disciplinary action by the Board. Each notice shall be accompanied by a nonrefundable fee of fifty dollars (\$50.00).
  - (c) An application for a reciprocal certificate shall be accompanied by a nonrefundable fee of one hundred dollars (\$100.00).
  - (d) The fee for issuance of an initial reciprocal certificate shall be one hundred dollars (\$100.00).
  - (e) The fee for biennial renewal of a reciprocal certificate shall be one hundred twenty dollars (\$120.00).
- (3) Holders of reciprocal certificates shall comply with the continuing education requirements contained in Chapter 0020-5, and shall comply with all other requirements of the statutes and rules governing the practice of public accountancy within the State of Tennessee.

Authority: T.C.A. §§62-1-105, 62-1-107, 62-1-110, 62-1-111, 62-1-113, 62-1-114, and 62-1-117.

The rulemaking hearing rules set out herein were properly filed in the Department of State on the 15<sup>th</sup> day of August, 2006 and will become effective on the 29th day of October, 2006.