



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 722 (Substitute S-1 as reported by the Committee of the Whole)  
Senate Bill 723 (Substitute S-1 as reported by the Committee of the Whole)  
Senate Bill 724 (Substitute S-1 as reported by the Committee of the Whole)  
Sponsor: Senator Jim Barcia (S.B. 722)  
          Senator Michael D. Bishop (S.B. 723 & 724)  
Committee: Banking and Financial Institutions

### **CONTENT**

Senate Bills 722 (S-1) would amend the State License Fee Act to increase the fees for application, licensure, registration, and temporary practice to engage in public accounting and impose a peer review fee on those engaging in, or seeking to engage in, public accounting. The bill also would create the "Accountancy Enforcement Fund" in the State Treasury for the Department of Labor and Economic Growth (DLEG) to use in enforcing Article 7 (Public Accounting) of the Occupational Code.

Under the bill, the fees would be the following:

- Application processing for individuals and firms: \$100.
- License to practice for individual and firms, per year: \$100.
- Individual registration, per year: \$25.
- Permit for temporary practice, per year: \$100.
- Peer review: \$100.

The current fees are as follows:

- Application processing fee: \$25.
- Annual fee for license to practice and registration of certificate: \$40 through September 30, 2007, or \$25 beginning October 1, 2007.
- Annual fee for an individual's registration of certificate: \$15 through September 30, 2007, or \$10 beginning October 1, 2007.
- Annual fee for a firm's or corporation's registration: \$35 through September 30, 2007, or \$25 beginning October 1, 2007.
- Annual branch office registration fee: \$25.
- Permit for temporary practice: \$15.

Senate Bill 723 (S-1) would amend the Occupational Code to elevate from a misdemeanor to a felony, and increase the penalties for, the unauthorized practice of public accounting and the misuse of titles and abbreviations restricted for CPAs. Currently, a violation is punishable by up to one year's imprisonment and/or a maximum fine of \$5,000; under the bill, it would be punishable by up to five years' imprisonment and/or a maximum fine of \$25,000.

The bill also would do all of the following:

- Require public accountancy licensed firms and sole practitioners to participate in a peer review program established by DLEG for renewal or relicensure.
- Establish an administrative fine of up to \$25,000 for actions involving fraud, dishonesty, negligence, a violation of professional standards or rules of conduct, mental incompetency, or license sanctions by another state.
- Delete a provision allowing a person to sit for a certified public accountant (CPA) exam if he or she is scheduled to receive an appropriate bachelor's degree within 30 days after the exam.
- Specify that a provision of Article 7 prohibiting a CPA from disclosing certain information would not apply to disclosure to a law enforcement or governmental agency if the CPA had reason to believe a client had violated the law.
- Exempt certain information in DLEG's possession from the Freedom of Information Act.

Senate Bill 724 (S-1) would amend the Code of Criminal Procedure to include the unauthorized practice of public accounting in the sentencing guidelines. The offense would be a Class E felony against the public trust, with a statutory maximum sentence of five years' imprisonment. The bill is tie-barred to Senate Bill 723.

MCL 338.2211 (S.B. 722)  
 339.601 et al. (S.B. 723)  
 777.13p (S.B. 724)

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

Senate Bills 722 (S-1) and 723 (S-1) would increase the current license and registration fees collected by the Board of Accountancy to regulate the occupation. This new revenue would be deposited into an enforcement fund that would be used to support the enforcement and peer review activities outlined in the bill. Based on FY 2005 licensee data, it is estimated that the fee increase could generate \$1.7 million on a biennial basis. Additionally, Senate Bill 722 would create a new fee to support the peer review activities; this fee could generate approximately \$334,200 for each triennial period if every firm participated. The amount would vary by participation level.

Finally, the amount of revenue generated by the administrative fine would depend on the number of cases that resulted in a determination of a violation of the Code.

Senate Bills 723 (S-1) and 724 (S-1) would have an indeterminate fiscal impact on State and local government corrections costs. There are no data to indicate how many offenders would be convicted of the felony. Local governments would incur the cost of incarceration in local facilities, which varies by county. The State would incur the cost of felony probation at an annual average cost of \$2,000, as well as the cost of incarceration in a State facility at an average annual cost of \$30,000. Public libraries would benefit from increased penal fine revenue.

Date Completed: 10-12-05

Fiscal Analyst: Maria Tyszkiewicz  
 Elizabeth Pratt  
 Mike Hansen

Floor\sb722

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.