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**HB 442 TO AMEND SECTIONS 4701.06 AND 4701.17 OF THE REVISED CODE TO MODIFY THE REQUIREMENTS TO OBTAIN A CERTIFIED PUBLIC ACCOUNTANT CERTIFICATE AN EXPRESSION OF CONCERN**

**To:** Chairman Rob McColley, Vice Chair Terry Johnson, Ranking Member Nickie Antonio, and members of the Senate Transportation, Commerce, and Workforce Committee

**From:** Albert L. Nagy

Dear Committee members. My name is Albert L. Nagy and I am a Professor and the Chair of the Kramer School of Accountancy at John Carroll University. I have been a professor at JCU for over 20 years, and I have been a licensed CPA in the state of Ohio since 1994. The opinions and views I express in this statement are my own, and not necessarily those of the School of Accountancy at John Carroll University or any other organization.

The proposed HB 442 to lessen the educational requirements to sit for the CPA exam will interrupt the long term play for increased accounting education in the state of Ohio. Consistent with the ever-increasing complexity of today's business environment, the body of information and related skill set needed by a newly licensed CPA continues to grow. For example, compared with 1980, there are three times as many pages in the Internal Revenue Code, four times as many accounting standards, and five times as many auditing standards (Tysiac 2020). In addition, the automation of simple tasks previously performed by newly licensed CPAs has resulted in entry-level CPAs' performing tasks that require deeper critical thinking and more advanced problem solving skills and professional judgment than in the past (Tysiac 2020).

The CPA exam has evolved along with this ever changing business environment by expanding coverage of some key areas. Emerging areas in the exam include, scenarios to test higher order skills, to align employer-expected competencies and increased real-time ability of CPAs to conduct predictive and prescriptive services in information systems, data analytics, financial reporting, and advanced tax planning and compliance (Journal of Accountancy 2019; Tysiac 2020). Those CPA exam candidates with only 120 hours of education may not have such skill development and learning. Thus, raising a risk of higher failure rates on the examination.

Using publicly available data from the National Association of State Boards of Accountancy (NASBA) CPA Examination publications, a regression analysis shows **a highly significant difference in CPA exam pass rates for first time sitters between 150 hour and 120 hour states, with the 150 hour states performing at a higher level of success.** The regression model was estimated using CPA exam pass rates for all 50 states and the District of Columbia for the past four years (2015-2018). This result confirms the findings of previous research that finds 150 hour jurisdictions outperform 120 hour jurisdictions on the CPA exam (Soileau, Usrey, and Webb 2017; Briggs and He 2012).

This proposal was developed unilaterally by our profession's state organization and despite inferences to the contrary was not given careful consideration by way of due process. There was minimal to no input from key stakeholder groups, including accounting academics and accounting practitioners. Changing the law at this time would not be a responsible step toward achieving a well-educated CPA profession to serve the Ohio economy. I strongly urge the Senate Transportation, Commerce, and Workforce Committee to not support this proposal.

## References

- Briggs, G., and L. He. 2012. The 150 credit-hour requirement and CPA examination pass rates – a four year study. *Accounting Education* 21(1): 97-108.
- Journal of Accountancy. 2019. CPA exam topics undergoing change for the digital age. *Journal of Accountancy* 228(5): 1-5.
- Soileau, J., S. Usrey, and T. Webb. 2017. Sitting requirements and the CPA exam. *Issues in Accounting Education* 32(1): 1-15.
- Tysiac, K. 2020. A future-focused path for CPA licensure. *Journal of Accountancy* 229(2): 1-3.