RA 26-152

INSPECTIONS AND APPEALS DEPARTMENT[481]

Regulatory Analysis

Notice of Intended Action to be published: 481—Chapter 1023
"Certification of CPAs"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 17A, 147, 154, and 272C
State or federal law(s) implemented by the rulemaking: Iowa Code chapter 542

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

July 28, 2026 1 p.m.	6200 Park Avenue Des Moines, Iowa

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Accountancy Examining Board no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Purpose and Summary

This proposed rulemaking sets minimum standards for entry into the accounting profession. Iowa residents, licensees, and employers benefit from the rulemaking because it articulates the processes by which individuals apply for licensure as a certified public accountant (CPA) in the State of Iowa, as directed in statute. This includes the process for initial licensure. These requirements ensure public safety by ensuring that any individual entering the profession has minimum competency. Requirements include the application process, minimum educational qualifications, experience, and examination.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

There is no direct cost to the general public, but there is a cost to the applicant. Complying with the minimum requirements to enter into the profession is at the expense of the licensee. The fee for an initial CPA license is $100, and the renewal fee is $50 in the State of Iowa.

The licensee would also have costs related to educational requirements and examination requirements. The Board has not identified an exact cost of education for this field because it varies depending on the school the licensee chooses to attend to meet those requirements.

There are no new anticipated costs to this rulemaking other than the costs already incurred by the Board to enforce the rules. Board staff review applications for initial and renewal licenses, answer inquiries on licensing, and field phone calls. Staff salaries to support the work of the Board are covered by the Licensing and Regulation Fund established in 2023 Iowa Acts, Senate File 557. Licensing fees go to the fund to cover the operations of the regulated professional licensing boards.

- **Classes of persons that will benefit from the proposed rulemaking:**

The public and professionals will benefit from the proposed rulemaking. Establishing minimum licensing requirements ensures that practitioners are competent to practice. The benefit of additional pathways to licensure will outweigh any costs incurred by the rulemaking.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

Members of the public would incur no costs other than payment for CPA services provided. CPAs would be responsible for ensuring they meet the requirements for licensure.

- **Qualitative description of impact:**

Establishing minimum requirements for licensure ensures safety for the licensee and consumer. The cost of inaction would be an increase in the potential for injury to the public by a licensee who is not qualified to perform the work in the field.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Costs to the agency are for the staff time needed to manage Board activities, which include oversight of licensing requirements. The Board does not anticipate any further costs than are already incurred. The time needed to manage this provision is generally in the form of responding to questions related to licensure requirements and processing applications. Staff salaries to support the work of the Board are covered by the fund.

- **Anticipated effect on State revenues:**

Costs associated with implementing this rulemaking are paid by individual licensees, not the State. There is no anticipated impact on State revenues.

Staff salaries to support the work of the board are covered by the fund. Licensing fees go to the fund to cover the operations of the regulated professional licensing boards. The additional pathway to licensure means additional licensing fees coming into the fund that were not previously available.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

The Board developed rules to clarify the licensing requirements for certified public accountants. Inaction would result in confusion regarding the new pathways to licensure and would be a detriment to those seeking licensure.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The Board does not believe there is a less costly or less intrusive method to achieve the purpose of this rulemaking.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

The Board has not identified any alternative methods to carry out this rulemaking.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Board has not identified a more cost-effective alternative to carry out this rulemaking.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.

- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The proposed rulemaking relates to public safety concerns that are present whether the business is a small business or a large corporation. While some CPAs may work in a smaller firm, some work for large corporations. To exempt any small business from adhering to this chapter would jeopardize any member of the public who sought services from that small business. The risk to the public is greater than the potential harm or cost to the small business.

Text of Proposed Rulemaking

ITEM 1. Rescind subrule 1023.3(1) and adopt the following **new** subrule in lieu thereof:

1023.3(1) A candidate will be deemed to have met the educational requirement of Iowa Code section 542.5 if the candidate has met one of the following conditions:

a. Earned 150 hours total of college and graduate education, including a graduate degree with a concentration in accounting from a program that is accredited in accounting by an accrediting agency recognized by the board.

b. Earned 150 hours total of college and graduate education, including a baccalaureate or higher degree in accounting or business from a program that is accredited by an accrediting agency recognized by the board and completed at least 24 semester hours in accounting, including courses covering the subjects of financial accounting, auditing, taxation, and management accounting. Such accounting hours exclude elementary accounting or principles of accounting, internships or life experience.

c. Earned 150 hours total of college and graduate education, including a baccalaureate or higher degree and completed the following hours from an accredited institution recognized by the board:

(1) At least 24 semester hours in accounting courses above elementary accounting or principles of accounting covering the subjects of financial accounting, auditing, taxation, and management accounting, not including internships or life experience; and

(2) At least 24 additional semester hours in business-related courses, not including internships or life experience. Elementary accounting or principles of accounting hours that do not qualify under subparagraph 1023.3(1)*"c"*(1) may apply toward business-related courses.

d. Earned 120 hours total of college education, including a baccalaureate degree in business or accounting from a program that is accredited by an accrediting agency recognized by the board and completed at least 24 semester hours in accounting courses covering the subjects of financial accounting, auditing, taxation, and management accounting. Such accounting hours exclude elementary accounting or principles of accounting, internships or life experience.

e. Earned 120 hours total of college education, including a baccalaureate or higher degree and completed the following hours from an accredited institution recognized by the board:

(1) At least 24 semester hours in accounting courses above elementary accounting or principles of accounting covering the subjects of financial accounting, auditing, taxation, and management accounting, not including internships or life experience; and

(2) At least 24 additional semester hours in business-related courses, not including internships or life experience. Elementary accounting or principles of accounting hours that do not qualify under subparagraph 3.3(1)*"e"*(1) may apply toward business-related courses.

NOTE: Quarter hours will be accepted in lieu of semester hours at a 3:2 ratio; that is, three quarter hours are equivalent to two semester hours. Subject to the above provision, internships and life experience hours may apply toward the total required 120 or 150 hours.

ITEM 2. Rescind subrule 1023.12(1) and adopt the following **new** subrule in lieu thereof:

1023.12(1) Experience.

a. An applicant seeking issuance of a certificate pursuant to paragraph 1023.3(1)*"a," "b,"* or *"c"* will have no less than one year of experience. One year of experience will consist of full- or part-time employment that extends over a period of no less than one year and no more than three years and includes no fewer than 2,000 hours of performance of services outlined in Iowa Code section 542.5(12). Experience may be gained in more than one employment situation, including an internship.

b. An applicant seeking issuance of a certificate pursuant to paragraph 1023.3(1)*"d"* or *"e"* will have no fewer than two years of experience. Two years of experience will consist of full- or part-time employment that extends over a period of no fewer than two years and no more than four years and includes no fewer than 4,000 hours of performance of services outlined in Iowa Code section 542.5(12). Experience may be gained in more than one employment situation, including an internship.

ITEM 3. Amend subrule 1023.12(3) as follows:

1023.12(3) All experience will be verified by a licensee with direct supervisory control over the applicant or by a licensee who can attest that the experience gained by the applicant meets the requirements of Iowa Code section ~~542.5(12)~~ 542.5(7) if the applicant is not supervised by a licensee.