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Sequence Number: 08-12-16  
 Rule ID(s): 6276-6279  
 File Date: 8/12/16  
 Effective Date: 11/10/16

## Proposed Rule(s) Filing Form

*Proposed rules are submitted pursuant to Tenn. Code Ann. §§ 4-5-202, 4-5-207, and 4-5-229 in lieu of a rulemaking hearing. It is the intent of the Agency to promulgate these rules without a rulemaking hearing unless a petition requesting such hearing is filed within ninety (90) days of the filing of the proposed rule with the Secretary of State. To be effective, the petition must be filed with the Agency and be signed by ten (10) persons who will be affected by the amendments, or submitted by a municipality which will be affected by the amendments, or an association of ten (10) or more members, or any standing committee of the General Assembly. The agency shall forward such petition to the Secretary of State.*

*Pursuant to Tenn. Code Ann. § 4-5-229, any new fee or fee increase promulgated by state agency rule shall take effect on July 1, following the expiration of the ninety (90) day period as provided in § 4-5-207. This section shall not apply to rules that implement new fees or fee increases that are promulgated as emergency rules pursuant to § 4-5-208(a) and to subsequent rules that make permanent such emergency rules, as amended during the rulemaking process. In addition, this section shall not apply to state agencies that did not, during the preceding two (2) fiscal years, collect fees in an amount sufficient to pay the cost of operating the board, commission or entity in accordance with § 4-29-121(b).*

|                                 |                                      |
|---------------------------------|--------------------------------------|
| <b>Agency/Board/Commission:</b> | Tennessee State Board of Accountancy |
| <b>Division:</b>                | Department of Commerce and Insurance |
| <b>Contact Person:</b>          | Benjamin Glover                      |
| <b>Address:</b>                 | 500 James Robertson Parkway          |
| <b>Zip:</b>                     | 37243                                |
| <b>Phone:</b>                   | 615-770-0085                         |
| <b>Email:</b>                   | Benjamin.Glover@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        | Board of Accountancy, Licensing and Registration Requirements |
| Rule Number    | Rule Title  |
| 0020-01-.01    | Definitions   |
| 0020-01-.08    | Renewal of Licenses   |
| 0020-01-.11    | Application and Renewal of CPA and PA Firm Permits            |
| 0020-01-.12    | Notification of Firm Changes                                  |

| Chapter Number | Chapter Title                         |
|----------------|---------------------------------------|
| 0020-02        | Education and Experience Requirements |
| Rule Number    | Rule Title                            |
| 0020-02-.01    | Recognized Colleges and Universities  |
| 0020-02-.02    | Education                             |

|                       |                               |
|-----------------------|-------------------------------|
| <b>Chapter Number</b> | <b>Chapter Title</b>          |
| 0020-03               | Rules of Professional Conduct |
| <b>Rule Number</b>    | <b>Rule Title</b>             |
| 0020-03-.17           | Retention of Records          |

|                       |  |
|-----------------------|--|
| <b>Chapter Number</b> | <b>Chapter Title</b>                           |
| 0020-04               | Disciplinary Action and Civil Penalties        |
| <b>Rule Number</b>    | <b>Rule Title</b>                              |
| 0020-04-.04           | Return of Certificate, Registration or Permit. |

(Place substance of rules and other info here. Statutory authority must be given for each rule change. For information on formatting rules go to [http://sos.tn.gov/sites/default/files/forms/Rulemaking\\_Guidelines\\_August2014.pdf](http://sos.tn.gov/sites/default/files/forms/Rulemaking_Guidelines_August2014.pdf))

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

Amendments

Rule 0020-01-.01(1) (Definitions) is amended by inserting a new subparagraph after subparagraph (o) consisting of the following language and renumbering the remaining subsequent subparagraphs consistent with the existing ordering:

- (p) "Professional service" means any service performed or offered by a licensee for a client in the course of the practice of public accountancy.

Authority: T.C.A. §§ 62-1-103, 62-1-105, 62-1-105(e), 62-1-108, 62-1-111(a)(12), and Chapter No. 443 of the Public Acts of 1989, Sections 9 and 12.

Rule 0020-01-.08 (Renewal of Licenses) is amended by deleting paragraph (2) in its entirety and substituting, instead, the following language so that, as amended, the paragraph shall read:

- (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.

Authority: T.C.A. §§ 4-3-1304, 62-1-105, 62-1-107, 62-1-108, 62-1-109, 62-1-111 and 56-1-302.

Rule 0020-01-.11 (Application and Renewal of CPA and PA Firm Permits) is amended by deleting paragraph (1) in its entirety and substituting, instead, the following language so that, as amended, the paragraph shall read:

- (1) Each sole proprietorship, corporation, partnership or other form of organization providing attest services to the public or using the title "CPAs," "CPA firm," "PAs," or "PA firm" 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.

Authority: T.C.A. §§ 62-1-103, 62-1-105, 62-1-108, 62-1-111 and 62-1-113.

Rule 0020-01-.12 (Notification of Firm Changes) is amended by deleting subparagraph (1)(g) in its entirety and substituting, instead, the following language so that, as amended, the subparagraph shall read:

- (g) Establishment of a new office or location engaged in the practice of public accountancy in this State or the closing or change of address of an office location registered in this State; and

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

Chapter 0020-02  
Educational and Experience Requirements

Amendment

Rule 0020-02-.01 (Recognized Colleges and Universities) is amended by deleting paragraph (1) in its entirety and substituting, instead, the following language so that, as amended the paragraph shall read:

- (1) As used in this chapter, a “semester hour” means the conventional college semester hour. Quarter hours may be converted to semester hours by multiplying them by two-thirds. Semester hours received from a class for which dual credit is given may only be applied once towards an applicant’s required semester hours.

Authority: T.C.A. §§ 62-1-105, 62-1-106, and 62-1-111.

Rule 0020-02-.02 (Education) is amended by deleting subparagraph (1)(b) in its entirety and substituting, instead, the following language so that, as amended the subparagraph shall read:

- (b) Not more than six (6) semester or eight (8) quarter hours may be internship programs which may be applied to the thirty (30) semester or forty-five (45) quarter hours in accounting; and,

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

Chapter 0020-03  
RULES OF PROFESSIONAL CONDUCT

Amendments

Rule 0020-03-.17 (Retention of Records) is amended by deleting the rule in its entirety and substituting, instead, the following language so that, as amended the rule shall read:

A licensee shall maintain copies, or other obtainable facsimile records, or computer records, in whatever manner kept, of all work papers and work product used to render or support rendering accounting services to a client for a period of five (5) years. The five (5) year period shall commence at the end of the fiscal period in which the engagement was conducted. Premature destruction of these records shall subject the licensee to disciplinary action.

Authority: T.C.A. §§ 62-1-105(e)(4) and 62-1-111.

Chapter 0020-04  
Disciplinary Action and Civil Penalties

The Table of Contents is amended by deleting it in its entirety and substituting, instead, the following language, so that the Table of Contents shall read:

|  |   |
|--|---|
| 0020-04-.01 Definitions                              | 0020-04-.04 Repealed                            |
| 0020-04-.02 Civil Penalties                          | 0020-04-.05 Review of Professional Work Product |
| 0020-04-.03 Grounds for Discipline Against Licensees | 0020-04-.06 Safe Harbor Language                |

Repeal

Rule 0020-04-.04 (Return of Certificate, Registration or Permit) is repealed in its entirety.

Authority: T.C.A. §§ 62-1-105.

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

| Board Member       | Aye | No | Abstain | Absent | Signature (if required) |
|--------------------|-----|----|---------|--------|-------------------------|
| Bill Blaufuss      | X   |    |         |        |                         |
| Don Royston        | X   |    |         |        |                         |
| Casey Stuart       | X   |    |         |        |                         |
| Janet Booker-Davis | X   |    |         |        |                         |
| Stephen Eldridge   | X   |    |         |        |                         |
| Larry Elmore       | X   |    |         |        |                         |
| Gay Moon           | X   |    |         |        |                         |
| Gabe Roberts       | X   |    |         |        |                         |
| Trey Watkins       |     |    |         | X      |                         |
| Charlene Spiceland |     |    |         | X      |                         |

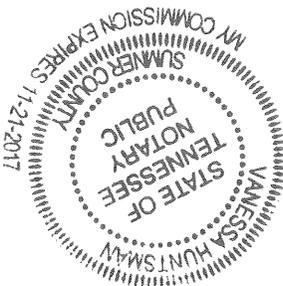
I certify that this is an accurate and complete copy of proposed rules, lawfully promulgated and adopted by the TN State Board of Accountancy on 10/16/2015 (date as mm/dd/yyyy), and is in compliance with the provisions of T.C.A. § 4-5-222. The Secretary of State is hereby instructed that, in the absence of a petition for proposed rules being filed under the conditions set out herein and in the locations described, he is to treat the proposed rules as being placed on file in his office as rules at the expiration of ninety (90) days of the filing of the proposed rule with the Secretary of State.

Date: 6/6/2016

Signature: [Handwritten Signature]

Name of Officer: Benjamin Paul Glover

Title of Officer: Assistant General Counsel, TDCI



Subscribed and sworn to before me on: 6/6/2016

Notary Public Signature: Vanessa Huntman

My commission expires on: 11/21/2017

All proposed 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.

Herbert H. Slatery III  
Herbert H. Slatery III  
Attorney General and Reporter

8/4/2016 Date



Department of State Use Only

Filed with the Department of State on: 8/12/16

Effective on: 11/10/16

[Handwritten Signature]



### 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.

(If applicable, insert Regulatory Flexibility Addendum here)

1. The type or types of small business and an identification and estimate of the number of small businesses subject to the proposed rule that would bear the cost of, or directly benefit from the proposed rule:

This rule would affect any small business providing public accounting services. There are currently 4,324 licensed CPA and PA firms, 14,819 licensed CPAs (including active and inactive) in Tennessee.

2. The projected reporting, recordkeeping and other administrative costs required for compliance with the proposed rule, including the type of professional skills necessary for preparation of the report or record:

This amendment increases in the number of hours permissible for an externship credit for licensure. Specifically the credits allowed have increased from 3 semester or 4 quarter hours to 6 semester or 8 quarter hours. As such, this may decrease the education costs associated for licensure. However, these changes are not anticipated to create a cost to a licensee or create a professional skill necessary for the preparation of a report or record for compliance.

These amendments repeal the requirement for licensees to mail back a physical wall certificate to the board once their license status is closed. As such, this is a reduced administrative action which should save each previous licensee the cost of postage and time to prepare the postage for compliance. The current postage rate is \$0.49.

3. A statement of the probable effect on impacted small businesses and consumers:

Consumers and small businesses will likely benefit from a clarification of these rules which will allow students to obtain more externship hours which count towards the required semester hours for licensure. In addition, small businesses and licensees will neither have to return wall certificates or expired licenses or be subject to discipline for failure to return certificates or licenses. There is no estimate as to any increase or decrease in the cost of such service.

4. A description of any less burdensome, less intrusive or less costly alternative methods of achieving the purpose and objectives of the proposed rule that may exist, and to what extent the alternative means might be less burdensome to small business:

The proposed changes to the existing rules are not burdensome/intrusive to small businesses and there is no known less intrusive or less costly alternative methods. These rules decrease the administrative actions required and as such are less burdensome.

5. A comparison of the proposed rule with any federal or state counterparts:

There are no federal or state counterparts to the issues addressed by these rules.

6. Analysis of the effect of the possible exemption of small businesses from all or any part of the requirements contained in the proposed rule:

These amendments do not create new requirements on small businesses. In one instance, the repeal of the rule requiring submission of a license from a closed licensee (expired or surrendered license) will reduce the current administrative requirements.

## **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)

(Insert statement here)

These proposed rules are not anticipated 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 T.C.A. § 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;

The changed rule increases the amount of credit hours earned from internships to be utilized towards the requisite number of semester or quarter hours for licensure. The other changes to the increase the clarity and conformity of the existing rules with the statutes and other related rules.

- (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;

There are no federal laws or regulations mandating such a rule. T.C.A. § 62-1-105(e) gives the board the power to adopt rules in order to enforce the statutes of the Tennessee Accountancy Act of 1998.

- (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;

Licensed CPAs, non-licensed, CPAs, CPA firms and non-CPA firms employing CPAs are most directly affected by this rule and these entities are silent as to the adoption or rejection of this rule.

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

There are no known AG opinions or judicial rulings which directly relate to this rule.

- (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;

There is no indication that there will be any increase or decrease in state and local government revenues and expenditures as a result of the promulgation of this rule. If there is any increase or decrease, such change will be less than two percent (2%) of the agency's annual budget.

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

Wendy Garvin and Benjamin Glover of the TN State Board of Accountancy from the TN Dept. of Commerce and Insurance.

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

Wendy Garvin and Benjamin Glover of the TN State Board of Accountancy from the TN Dept. of Commerce and Insurance.

- (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

Wendy Garvin  
500 James Robertson Parkway  
Nashville, TN 37243  
615-532-7397  
wendy.garvin@tn.gov

Benjamin Glover  
500 James Robertson Parkway  
Nashville, TN 37243  
615-770-0085  
benjamin.glover@tn.gov

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

There is no additional information relevant to the rule requested.

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Division of Publications**

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Sequence Number: \_\_\_\_\_

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

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

## Proposed Rule(s) REDLINE

*Proposed rules are submitted pursuant to Tenn. Code Ann. §§ 4-5-202, 4-5-207, and 4-5-229 in lieu of a rulemaking hearing. It is the intent of the Agency to promulgate these rules without a rulemaking hearing unless a petition requesting such hearing is filed within ninety (90) days of the filing of the proposed rule with the Secretary of State. To be effective, the petition must be filed with the Agency and be signed by ten (10) persons who will be affected by the amendments, or submitted by a municipality which will be affected by the amendments, or an association of ten (10) or more members, or any standing committee of the General Assembly. The agency shall forward such petition to the Secretary of State.*

*Pursuant to Tenn. Code Ann. § 4-5-229, any new fee or fee increase promulgated by state agency rule shall take effect on July 1, following the expiration of the ninety (90) day period as provided in § 4-5-207. This section shall not apply to rules that implement new fees or fee increases that are promulgated as emergency rules pursuant to § 4-5-208(a) and to subsequent rules that make permanent such emergency rules, as amended during the rulemaking process. In addition, this section shall not apply to state agencies that did not, during the preceding two (2) fiscal years, collect fees in an amount sufficient to pay the cost of operating the board, commission or entity in accordance with § 4-29-121(b).*

|                                 |                                      |
|---------------------------------|--------------------------------------|
| <b>Agency/Board/Commission:</b> | Tennessee State Board of Accountancy |
| <b>Division:</b>                | Department of Commerce and Insurance |
| <b>Contact Person:</b>          | Benjamin Glover                      |
| <b>Address:</b>                 | 500 James Robertson Parkway          |
| <b>Zip:</b>                     | 37243                                |
| <b>Phone:</b>                   | 615-770-0085                         |
| <b>Email:</b>                   | Benjamin.Glover@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        | Board of Accountancy, Licensing and Registration Requirements |
| Rule Number    | Rule Title  |
| 0020-01-.01    | Definitions   |
| 0020-01-.08    | Renewal of Licenses   |
| 0020-01-.11    | Application and Renewal of CPA and PA Firm Permits            |
| 0020-01-.12    | Notification of Firm Changes                                  |

| Chapter Number | Chapter Title                         |
|----------------|---------------------------------------|
| 0020-02        | Education and Experience Requirements |
| Rule Number    | Rule Title                            |
| 0020-02-.01    | Recognized Colleges and Universities  |
| 0020-02-.02    | Education                             |

|                       |                               |
|-----------------------|-------------------------------|
| <b>Chapter Number</b> | <b>Chapter Title</b>          |
| 0020-03               | Rules of Professional Conduct |
| <b>Rule Number</b>    | <b>Rule Title</b>             |
| 0020-03-.17           | Retention of Records          |

|                       |  |
|-----------------------|--|
| <b>Chapter Number</b> | <b>Chapter Title</b>                           |
| 0020-04               | Disciplinary Action and Civil Penalties        |
| <b>Rule Number</b>    | <b>Rule Title</b>                              |
| 0020-04-.04           | Return of Certificate, Registration or Permit. |

(Place substance of rules and other info here. Statutory authority must be given for each rule change. For information on formatting rules go to [http://sos.tn.gov/sites/default/files/forms/Rulemaking\\_Guidelines\\_August2014.pdf](http://sos.tn.gov/sites/default/files/forms/Rulemaking_Guidelines_August2014.pdf))

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

Amendments

Rule 0020-01-.01(1) (Definitions) is amended by inserting a new subparagraph after subparagraph (o) consisting of the following language and renumbering the remaining subsequent subparagraphs consistent with the existing ordering:

(p) “Professional service” means any service performed or offered by a licensee for a client in the course of the practice of public accountancy.

Authority: T.C.A. §§ 62-1-103, 62-1-105, 62-1-105(e), 62-1-108, 62-1-111(a)(12), and Chapter No. 443 of the Public Acts of 1989, Sections 9 and 12.

Rule 0020-01-.08 (Renewal of Licenses) is amended by deleting paragraph (2) in its entirety and substituting, instead, the following language so that, as amended, the paragraph shall read:

(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.~~

Authority: T.C.A. §§ 4-3-1304, 62-1-105, 62-1-107, 62-1-108, 62-1-109, 62-1-111 and 56-1-302.

Rule 0020-01-.11 (Application and Renewal of CPA and PA Firm Permits) is amended by deleting paragraph (1) in its entirety and substituting, instead, the following language so that, as amended, the paragraph shall read:

(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~~ sole proprietorship, corporation, partnership or other form of organization providing attest services to the public or using the title "CPAs," "CPA firm," "PAs," or "PA firm" 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.

Authority: T.C.A. §§ 62-1-103, 62-1-105, 62-1-108, 62-1-111 and 62-1-113.

Rule 0020-01-.12 (Notification of Firm Changes) is amended by deleting subparagraph (1)(g) in its entirety and substituting, instead, the following language so that, as amended, the subparagraph shall read:

(g) Establishment of a new office or location ~~providing accounting services~~engaged in the practice of public accountancy in this state~~State~~ or the closing or change of address of an office location registered in this State; and

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

Chapter 0020-02  
Educational and Experience Requirements

Amendment

Rule 0020-02-.01 (Recognized Colleges and Universities) is amended by deleting paragraph (1) in its entirety and substituting, instead, the following language so that, as amended the paragraph shall read:

- (1) As used in this chapter, a “semester hour” means the conventional college semester hour. Quarter hours may be converted to semester hours by multiplying them by two-thirds. Semester hours received from a class for which dual credit is given may only be applied once towards an applicant’s required semester hours.

Authority: T.C.A. §§ 62-1-105, 62-1-106, and 62-1-111.

Rule 0020-02-.02 (Education) is amended by deleting subparagraph (1)(b) in its entirety and substituting, instead, the following language so that, as amended the subparagraph shall read:

- (b) Not more than ~~three (3)~~ six (6) semester or ~~four (4)~~ eight (8) quarter hours may be internship programs which may be applied to the thirty (30) semester or forty-five (45) quarter hours in accounting; and,

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

Chapter 0020-03  
RULES OF PROFESSIONAL CONDUCT

Amendments

Rule 0020-03-.17 (Retention of Records) is amended by deleting the rule in its entirety and substituting, instead, the following language so that, as amended the rule shall read:

A licensee shall maintain copies, or other obtainable facsimile records, or computer records, in whatever manner kept, of all work papers and work product used to render or support rendering ~~public~~ accounting services to a client for a period of five (5) years. The five (5) year period shall commence at the end of the fiscal period in which the engagement was conducted. Premature destruction of these records shall subject the licensee to disciplinary action.

Authority: T.C.A. §§ 62-1-105(e)(4) and 62-1-111.

Chapter 0020-04  
Disciplinary Action and Civil Penalties

The Table of Contents is amended by deleting it in its entirety and substituting, instead, the following language, so that the Table of Contents shall read:

|  |  |
|--|--|
| 0020-04-.01 Definitions                              | 0020-04-.04 <del>Return of Certificate Registration or Permit</del> Repealed |
| 0020-04-.02 Civil Penalties                          | 0020-04-.05 Review of Professional Work Product                              |
| 0020-04-.03 Grounds for Discipline Against Licensees | 0020-04-.06 Safe Harbor Language   |

Repeal

Rule 0020-04-.04 (Return of Certificate, Registration or Permit) is repealed in its entirety.

Authority: T.C.A. §§ 62-1-105.

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

| Board Member       | Aye | No | Abstain | Absent | Signature (if required) |
|--------------------|-----|----|---------|--------|-------------------------|
| Bill Blaufuss      | X   |    |         |        |                         |
| Don Royston        | X   |    |         |        |                         |
| Casey Stuart       | X   |    |         |        |                         |
| Janet Booker-Davis | X   |    |         |        |                         |
| Stephen Eldridge   | X   |    |         |        |                         |
| Larry Elmore       | X   |    |         |        |                         |
| Gay Moon           | X   |    |         |        |                         |
| Gabe Roberts       | X   |    |         |        |                         |
| Trey Watkins       |     |    |         | X      |                         |
| Charlene Spiceland |     |    |         | X      |                         |

I certify that this is an accurate and complete copy of proposed rules, lawfully promulgated and adopted by the TN State Board of Accountancy on 10/16/2015 (date as mm/dd/yyyy), and is in compliance with the provisions of T.C.A. § 4-5-222. The Secretary of State is hereby instructed that, in the absence of a petition for proposed rules being filed under the conditions set out herein and in the locations described, he is to treat the proposed rules as being placed on file in his office as rules at the expiration of ninety (90) days of the filing of the proposed rule with the Secretary of State.

Date: 6/16/2016

Signature: [Handwritten Signature]

Name of Officer: Benjamin Paul Glover

Title of Officer: Assistant General Counsel, TDCI



Subscribed and sworn to before me on: 6/16/2016

Notary Public Signature: [Handwritten Signature]

My commission expires on: 11/21/2017

All proposed 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.

\_\_\_\_\_  
Herbert H. Slatery III  
Attorney General and Reporter

\_\_\_\_\_  
Date

**Department of State Use Only**

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

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



### 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.

(If applicable, insert Regulatory Flexibility Addendum here)

1. The type or types of small business and an identification and estimate of the number of small businesses subject to the proposed rule that would bear the cost of, or directly benefit from the proposed rule:

This rule would affect any small business providing public accounting services. There are currently 4,324 licensed CPA and PA firms, 14,819 licensed CPAs (including active and inactive) in Tennessee.

2. The projected reporting, recordkeeping and other administrative costs required for compliance with the proposed rule, including the type of professional skills necessary for preparation of the report or record:

This amendment increases in the number of hours permissible for an externship credit for licensure. Specifically the credits allowed have increased from 3 semester or 4 quarter hours to 6 semester or 8 quarter hours. As such, this may decrease the education costs associated for licensure. However, these changes are not anticipated to create a cost to a licensee or create a professional skill necessary for the preparation of a report or record for compliance.

These amendments repeal the requirement for licensees to mail back a physical wall certificate to the board once their license status is closed. As such, this is a reduced administrative action which should save each previous licensee the cost of postage and time to prepare the postage for compliance. The current postage rate is \$0.49.

3. A statement of the probable effect on impacted small businesses and consumers:

Consumers and small businesses will likely benefit from a clarification of these rules which will allow students to obtain more externship hours which count towards the required semester hours for licensure. In addition, small businesses and licensees will neither have to return wall certificates or expired licenses or be subject to discipline for failure to return certificates or licenses. There is no estimate as to any increase or decrease in the cost of such service.

4. A description of any less burdensome, less intrusive or less costly alternative methods of achieving the purpose and objectives of the proposed rule that may exist, and to what extent the alternative means might be less burdensome to small business:

The proposed changes to the existing rules are not burdensome/intrusive to small businesses and there is no known less intrusive or less costly alternative methods. These rules decrease the administrative actions required and as such are less burdensome.

5. A comparison of the proposed rule with any federal or state counterparts:

There are no federal or state counterparts to the issues addressed by these rules.

6. Analysis of the effect of the possible exemption of small businesses from all or any part of the requirements contained in the proposed rule:

These amendments do not create new requirements on small businesses. In one instance, the repeal of the rule requiring submission of a license from a closed licensee (expired or surrendered license) will reduce the current administrative requirements.

**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)

(Insert statement here)

These proposed rules are not anticipated 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 T.C.A. § 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;

The changed rule increases the amount of credit hours earned from internships to be utilized towards the requisite number of semester or quarter hours for licensure. The other changes to the increase the clarity and conformity of the existing rules with the statutes and other related rules.

- (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;

There are no federal laws or regulations mandating such a rule. T.C.A. § 62-1-105(e) gives the board the power to adopt rules in order to enforce the statutes of the Tennessee Accountancy Act of 1998.

- (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;

Licensed CPAs, non-licensed, CPAs, CPA firms and non-CPA firms employing CPAs are most directly affected by this rule and these entities are silent as to the adoption or rejection of this rule.

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

There are no known AG opinions or judicial rulings which directly relate to this rule.

- (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;

There is no indication that there will be any increase or decrease in state and local government revenues and expenditures as a result of the promulgation of this rule. If there is any increase or decrease, such change will be less than two percent (2%) of the agency's annual budget.

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

Wendy Garvin and Benjamin Glover of the TN State Board of Accountancy from the TN Dept. of Commerce and Insurance.

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

Wendy Garvin and Benjamin Glover of the TN State Board of Accountancy from the TN Dept. of Commerce and Insurance.

- (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

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

There is no additional information relevant to the rule requested.