CLARIFICATION NEEDED IN UTAH'S 150-HOUR REQUIREMENT

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ABSTRACT

This paper provides some background on the 150-hour education requirement for CPA licensure. The movement toward a 150-hour requirement, now adopted in 54 of the 55 licensing jurisdictions in the U.S., has likely led to increased legislative complexity, at least in some states. As laws become more complex, ambiguity can often result. The Utah laws and rules are discussed and some ambiguities in the current Utah administrative rules are exposed. These ambiguities demonstrate the need for changes to the Utah administrative rules to clarify the specific intent of the 150-hour education requirement in Utah. Other states may also need to examine their laws to see if ambiguity exists and needs to be eliminated.

Keywords: CPA licensure, 150-hour education requirement, Utah administrative rules

INTRODUCTION

The certification and licensure of public accountants in the United States is regulated by each state and jurisdiction. New York became the first state to pass a law creating the title “certified public accountant” in 1896 (AICPA/NASBA, 2011). Every American jurisdiction now has state accountancy laws under which certified public accountants (CPAs) are examined, licensed, and regulated.

Since 1959, the American Institute of Certified Public Accountants (AICPA), the national organization for certified public accountants, has recognized the value of a 150-hour education requirement for certification (AICPA, 2013a). This concept implies that those who are certified as public accountants should have 150 semester hours of education rather than being certified after only meeting the requirements for an undergraduate degree. Utah has a 150-hour education requirement, originally enacted in 1981 but changed several times since then. The broad law enacted by the Utah legislature is supported by specific, detailed rules of administrative law.

This paper gives some background on the 150-hour education requirement and a review of related research. The movement toward a 150-hour requirement has likely led to increased legislative complexity, at least in some states. As laws become more complex, ambiguity can often result. Ambiguity is presented as a general possibility. Then the Utah law and rules are discussed more specifically, and some ambiguities in the current Utah administrative rules are exposed. These ambiguities demonstrate the need for changes to the Utah administrative rules to clarify the specific intent of the 150-hour education requirement in Utah. Other states may need to similarly examine their 150-hour laws to see if ambiguity exists and needs to be eliminated.
BACKGROUND

Florida was the first state to enact a 150-hour education requirement in 1979. Utah followed with legislation in 1981. However, as discussed later, the Utah law was not without controversy and multiple changes have been made since the original legislation. A handful of other states enacted 150-hour requirements in the late 1980s. Most of the jurisdictions that enacted similar legislation did so in the decade of the 1990s, but a few jurisdictions have enacted their laws since the turn of the century. The United States has 55 jurisdictions where a 150-hour education requirement for a CPA could be enacted: the 50 states plus Washington, DC, Guam, Puerto Rico, the Commonwealth of the Northern Marianas Islands, and the U.S. Virgin Islands. Of these 55 U.S. jurisdictions, only the U.S. Virgin Islands has yet to pass a 150-hour requirement. However, four other jurisdictions have enacted legislation which is not yet effective: California, Colorado, New Hampshire, and Vermont. The requirement will be effective in these jurisdictions in either 2014 or 2015 (AICPA, 2013b).

“A model bill to regulate the practice of public accountancy was first published in 1916 by the American Institute of Accountants, the predecessor of the American Institute of Certified Public Accountants (AICPA). . . ” (AICPA/NASBA, 2011, p. UAA-i). In 1984, the AICPA and the National Association of State Boards of Accountancy (NASBA) published the first joint model bill which was later named the Uniform Accountancy Act (UAA). The UAA has been through several iterations since it was first developed. The current version of the UAA (Sixth Edition), dated August 2011, suggests a 150-hour education requirement in the following manner:

(c) The education requirement for a certificate, which must be met before an applicant is eligible to apply for the examination prescribed in subsection (d), shall be as follows:

(1) During the five-year period immediately following the effective date of this Act, a baccalaureate degree or its equivalent conferred by a college or university acceptable to the Board, with an accounting concentration or equivalent as determined by Board rule to be appropriate;

(2) After the expiration of the five-year period immediately following the effective date of this Act, at least 150 semester hours of college education including a baccalaureate or higher degree conferred by a college or university acceptable to the Board, the total educational program to include an accounting concentration or equivalent as determined by Board rule to be appropriate. (AICPA/NASB, 2011, UAA-5-1 – UAA-5-2).

The Uniform Accountancy Act Model Rules (UAA Model Rules) approved by the NASBA Board of Directors in 2011 give a more specific view of what topics and credit hours the Board feels should be included to meet the 150-hour education requirement (NASBA, 2011). These rules were created by NASBA “as part of its continuing effort to update and promote uniformity in the regulatory schemes governing the practice of accountancy in the various jurisdictions” (NASBA, 2011, Rules-I-5). In fact, the UAA and the UAA Model Rules have important objectives that are important to the public accounting profession, one of which follows:
Differing requirements for CPA certification, reciprocity, temporary practice, and other aspects of state accountancy legislation in the 55 American licensing jurisdictions...constitute artificial barriers to the interstate practice and mobility of certified public accountants. The Uniform Act seeks to eliminate such differences and the barriers that they pose to effective practice of CPAs under modern conditions through the standard of “substantial equivalency” that was added to the Act in 1998... The mobility and enforcement enhancements that have been added can assure stronger and more efficient state board enforcement in the context of modern transborder and electronic commerce in which state lines are often blurred (AICPA/NASBA, 2011, UAA-ii).

Since states started adopting the 150-hour education requirement, multiple articles investigating various aspects of the requirement, its implementation, and its consequences have been published. Many of these articles are cited and discussed in a forthcoming article (see Mauldin, et. al., in press, for a literature review and a list of citations). Shafer and Kunkel (2001) discuss the results of a survey of administrators at AACSB-accredited schools. They report that most accounting programs have encouraged students to meet the increased educational requirement by obtaining a master’s degree in accounting or in business administration. They argue that these paths to meeting the requirement are inconsistent with the stated objective of the 150-hour mandate. One of the objectives of an increased education requirement for professional accountants was an increase in the breadth of education, but in many cases, programs have offered and students have selected options which give them more technical accounting classes rather than a focus on a breadth of education. It makes sense that students who are preparing for a difficult, technical accounting exam would choose to take more accounting classes if given the option. However, it may also be true that programs which offer these technical classes allow student to avoid additional communication and general education classes which will improve their communication and critical thinking skills.

Mauldin, et. al. (in press) reported the results of an experiment and a survey which investigated CPAs’ assessments about how actively their organization would recruit job candidates who met the 150-hour requirement in one of seven different ways. The participants in this experiment had a tendency to think their organizations would prefer a recruit with an advanced degree including more accounting-specific coursework.

Some studies indicate a reduction in the number of candidates sitting for the CPA exam following the implementation of a 150-hour rule (Allen and Woodland, 2006; Carpenter and Stephenson, 2006). However, other studies show that the decrease in the number of candidates sitting for the exam was similar for both states which had adopted at 150-hour requirement and those states which had kept a 120-hour requirement (Gramling and Rosman, 2009; Metinko and Gray, 2010). Thus, the conclusion of these papers is that it was not the 150-hour requirement that led to the decrease in the number of candidates sitting for the exam.

Not surprisingly, some studies (Raghunandan, et. al. 2003; Boone, et. al., 2006) indicated that CPA exam pass rates were higher in states with a 150-hour requirement, at least in those states that had fully implemented the requirement. Boone, et. al. (2006) did indicate that the pass rates declined in states that were in the transition period to the 150-hour requirement.
A study by Donelan and Philipich (2002) examined CPA exam candidates’ satisfaction with their college preparation in four areas—general skills, accounting skills, general business skills, and information technology skills—depending on the curriculum choice they had made to meet the 150-hour requirement—master’s of accountancy, MBA with accounting concentration, other graduate degrees, or additional undergraduate credits. Candidates who had completed a master’s degree in accounting were more satisfied with respect to their preparation for general, accounting, and information technology skills than those who met the requirement in one of the other ways. Conversely, those who simply took additional undergraduate credits to meet the 150-hour requirement were less satisfied than the other three groups with respect to those same skills. The four groups did not manifest significant differences as to their satisfaction with preparation in business skills.

With all the discussion about the 150-hour requirement, its implementation, and its consequences, little has been said about the potential increase to legislative complexity and the potential resulting ambiguity in state laws. States may first have had to determine if they were going to focus on the objective of increased educational breadth or the objective of increased technical competency. Certainly institutions of higher education have given input during this process. Colleges and universities that already had master’s programs in accounting or MBA programs (with or without a specific accounting track) may have been interested in seeing a graduate degree or at least graduate hours required as part of the 150-hour requirement. Some institutions may have hoped that a 150-hour requirement would allow them to argue for the development of and funding for a master’s program in accounting or an MBA degree. Still other schools with no plans to add graduate programs may have argued that the law should allow students to meet the requirement without any graduate hours. With competing interests, both from educational institutions and otherwise, the chance for complex laws to appease more parties may have been developed. Whenever competing interests require the addition of complexity, there is a possibility of increased ambiguity. The Utah experience seems to be an example where complexity in the administrative rules defining the education requirement may have led to ambiguity.

**UTAH’S 150-HOUR REQUIREMENT**

Utah was one of the early adopters of the 150-hour education requirement for CPA certification. Its 150-hour education requirement was enacted in 1981, but the requirement did not become effective until 1994 after several changes were made to the law. Deppe, et. al. (1988) give some of the historical background for the controversy. The 1981 law was originally set to become effective in 1986. However, almost immediately following passage of the law, opposition arose. The political situation was somewhat tense, as the two houses of the legislature had differing opinions on the law. One might assume the proponents of the law in the Senate could have simply ignored the opponents in the House since the law had already been passed. However, the original law contained a sunset provision such that the law would have been discontinued without the agreement of both houses of the legislature.

To keep some portion of the law, a compromise was reached that created two different educational tracks which would qualify applicants to sit for the CPA exam: a five-year track and
a four-year track. The five-year track included a bachelor’s degree (with appropriate course work) plus 30 hours of qualified post-baccalaureate education. The applicant could then take the exam. Upon passage of the exam, the candidate could receive a CPA certificate. Upon gaining one year of qualifying experience (fairly strictly defined as public accounting experience), the candidate could then be licensed as a CPA in Utah. Under the four-year track, the candidate would need a bachelor’s degree (with appropriate course work) and one year of certifying experience (could be more general accounting experience than the qualifying experience) in order to sit for the exam. Upon completion of the exam, the candidate could receive a CPA certificate. After three additional years of work experience, with this experience needing to be qualifying experience rather than just certifying experience, the candidate could be licensed. With this two-track system as a compromise, the 150-hours was not a necessity but could perhaps be seen as a preferred route since it could theoretically be completed in six years rather than eight years.

After a period of time, this two-track education system was abandoned along with the two-tiered certification (certificate and licensure), and Utah adopted a true 150-hour requirement. This requirement became effective in 1994. Tennessee enacted a 150-hour requirement in 1989 which became effective in 1993, so even though Utah was the second state to enact the requirement, because of the controversy, compromise, and delay, it was the third state to have an effective 150-hour education requirement (AICPA, 2013b).

Utah’s Certified Public Accountant Licensing Act is found in Title 58, Chapter 26a of the Utah legal code. Section 302 of this act gives the qualifications for licensure, including the education requirement. Subsection 58-26a-302(1)(d) says,

(1) Each applicant for licensure under this chapter as a certified public accountant shall:
   (d) submit a certified transcript of credits from an accredited institution acceptable to the board showing:
      (i) successful completion of a total of 150 semester hours or 225 quarter hours of collegiate level education with a concentration in accounting, auditing, and business;
      (ii) a baccalaureate degree or its equivalent at a college or university approved by the board; and
      (iii) compliance with any other education requirements established by rule by the division in collaboration with the board in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act. . . (Utah Code, 2013)

Another section of the Certified Public Accountant Licensing Act gives the education requirement for candidates to sit for the CPA exam. Section 306 says,

(1) Before taking the qualifying examinations, an applicant shall:
   (a) submit an application in a form approved by the division;
   (b) pay a fee determined by the department under Section 63J-1-504;
   (c) demonstrate completion of the education requirement in Subsection 58-26a-302(1)(d); and
(d) be approved by the board to take the qualifying examinations.  
(Utah Code, 2013)

However, a bill which passed both houses of the Utah legislature during the 2013 legislative session and which was signed by the governor (S.B. 168) changes the education requirement to sit for the exam, although it will not change the education requirement for licensure. Under the new law, a candidate is able to sit for the exam after having completed 135 semester hours (or 200 quarter hours) of the education requirement for licensure. Perhaps this bill is intended to allow students to apply for and take the CPA exam while they are still in school but close to completion rather than waiting until they can demonstrate total completion of the education requirement. Interestingly, this proposed change seems contrary to the UAA (AICPA/NASBA, 2011) and the Uniform Accountancy Act Model Rules (NASB, 2011) which state that the education requirement must be met before a candidate can sit for the CPA exam.

The actual Certified Public Accountant Licensing Act enacted by the legislature is fairly broad and contains little detail of the 150 hour education requirement. However, additional guidance is given through Utah Administrative Code, the body of all effective administrative rules which have the force of law. Rule 156-26a is the Certified Public Accountant Licensing Act Rule. This document is much more substantial and detailed than the actual legislation requiring a 150-hour education requirement for CPA certification. It has many sections which specify the qualifications for CPA licensure with respect to education, examination, and experience; discuss renewal and reinstatement requirements and procedures; create an Education Advisory Committee and a Peer Review Committee to the Utah Board of Accountancy (created by Section 58-26a-201 of the Certified Public Accountant Licensing Act); and define unprofessional conduct.

The education requirements which have to be met depend on the accreditation of the school where the education was received. If the applicant received the education from a school whose business or accounting program is accredited by the Association to Advance Collegiate Schools of Business (AACSB) or the Association of Collegiate Business Schools and Programs (ACBSP), one set of requirements is applied. If the education was received at an institution with regional accreditation but without specific business or accounting program accreditation from the AACSB or the ACBSP, a different set of requirements applies.

The education requirements for CPA licensure in Utah are found in Subsection 1 of R156-26a-302a:

- The education requirements for CPA licensure in Subsection 58-26a-302(1)(d) are defined, clarified, or established as follows:
  1. An applicant shall submit transcripts showing completion of course work consisting of a minimum of 150 semester hours (225 quarter hours) as follows:
     - a graduate or undergraduate program within an institution whose business or accounting education program is accredited by the Association of Advanced Collegiate Schools of Business (AACSB)[sic], or the Association of Collegiate Business Schools
and Programs (ACBSP), from which the applicant received one of the following:

(i) a graduate degree in accounting;

(ii) a graduate degree in taxation, or a master of business administration degree which includes not less than:

   (A) 24 semester hours (36 quarter hours) in upper division accounting courses covering the subjects of financial accounting, auditing, taxation, and management accounting;

   (B) 15 semester hours (23 quarter hours) in graduate level accounting courses covering the subjects of financial accounting, auditing, taxation, and management accounting;

   (C) an equivalent combination of graduate and upper division accounting courses covering the subjects of financial accounting, auditing, taxation, and management accounting with one hour of graduate level course work being equivalent to 1.6 hours of upper division course work; or

(iii) a baccalaureate degree in business or accounting and 30 semester hours (45 quarter hours) beyond the requirements for a baccalaureate degree which includes not less than:

   (A) 16 semester hours (24 quarter hours) in upper division accounting courses, which when combined with the accounting classes listed in Subsection (B) below, have at least one course with a minimum of two semester hours (three quarter hours) each covering the subjects of financial accounting, auditing, taxation, and management accounting;

   (B) eight semester hours (12 quarter hours) in graduate level accounting courses, which when combined with the accounting courses listed in Subsection (A) above, have at least one course each covering the subjects of financial accounting, auditing, taxation, and management accounting;

   (C) 12 semester hours (18 quarter hours) in upper division non-accounting business courses;

   (D) 12 semester hours (18 quarter hours) in graduate level business or accounting courses; and

   (E) 10 semester hours (15 quarter hours) of either graduate or upper division accounting or business courses.

(b) a graduate or undergraduate program from an institution accredited by the Northwest Commission on Colleges and Universities, North Central Association of Colleges and Schools, Middle States Association of Colleges and Schools, New England Association of
Colleges and Schools, Southern Association of Colleges and Schools and Western Association of Schools and Colleges from which the applicant received a baccalaureate or graduate degree with not less than:

(i) 30 semester hours (45 quarter hours) in business or related courses providing a minimum of two semester hours (three quarter hours) in each of the following subjects:
   (A) business law;
   (B) computers;
   (C) economics;
   (D) ethics;
   (E) finance;
   (F) statistics and quantitative methods;
   (G) written and oral communications; and
   (H) business administration such as marketing, production, management, policy or organizational behavior;

(ii) 24 semester hours (26 quarter hours) in upper division accounting courses with a minimum of two semester hours (three quarter hours) in each of the following subjects:
   (A) auditing;
   (B) finance;
   (C) managerial or cost;
   (D) systems; and
   (E) taxes; and

(iii) 30 semester hours (45 quarter hours) beyond the requirements for a baccalaureate degree of additional business related course work including not less than:
   (A) eight semester hours (12 quarter hours) in graduate accounting courses;
   (B) 12 semester hours (18 quarter hours) in graduate accounting or graduate business courses; and
   (C) 10 semester hours (15 quarter hours) of additional business related hours shall be taken in upper division undergraduate or graduate level courses.

(Utah Administrative Code, 2013)

The actual 150-hour requirement passed by legislation requires “150 semester hours or 225 quarter hours of collegiate level education with a concentration in accounting, auditing, and business” (Utah Code, 2013, Subsection 58-26a-302(1)(d)). It also requires a baccalaureate degree or its equivalent. The legislation is not much more specific about the education requirement than these two items except that it does refer to and encompass “any other education requirements established by rule by the division [Division of Occupational and Professional Licensing] in collaboration with the board [Utah Board of Accountancy]” (Utah Code, 2013, Subsection 58-26a-302(1)(d)). Thus, it is the administrative rules which define specifically the
education requirements for CPA licensure. However, these administrative rules are, in some areas, difficult to interpret. Clarification in the wording of these rules would be very helpful.

Neither the 150-hour legislation nor the administrative rules require a graduate degree, although some graduate degrees (with specific hours) will meet the 150-hour requirement (see R156-26a-302a(1)(a)(i), R156-26a-302a(1)(a)(ii), and R156-26a-302a(1)(b)). However, all options for meeting the 150-hour requirement include some graduate level courses. Typically, undergraduate institutions without master’s programs would not offer graduate level courses, so a student cannot fully meet the 150-hour requirement at one of these institutions. Institutions which do offer graduate level courses will do so as part of a graduate program; it is unlikely graduate courses will or can be offered outside of specific degree program. Therefore, it seems that the only way for students to meet Utah’s 150-hour requirement is to be admitted to a graduate program that will offer the specific hours and topics required for that student to complete the 150-hour requirements. While a student could potentially drop out of the graduate program after having earned the specific graduate credits necessary, this doesn’t seem optimal in many cases, so a graduate degree is the most likely way an applicant will meet Utah’s 150-hour requirement, with only a few students meeting the requirements without actually obtaining a graduate degree.

The options under R156-26a-302a(1)(a)(iii) and R156-26a-302a(1)(b) require at least 20 semester hours of graduate courses, with at least 8 of these graduate hours being in accounting classes. These options also require within the entire educational program coverage of some specific accounting topics: financial accounting, auditing, taxation, and management accounting.

The option under R156-26a-302a(1)(a)(i) is a graduate degree in accounting which one would assume would include at least 20 graduate credit hours in total, with at least 8 hours of graduate accounting courses as part of the 20 hours. Also, when combined with an undergraduate degree in accounting or the specific prerequisites to be admitted to a graduate program in accounting (for students who did not complete an undergraduate degree in accounting), one might conclude that the topics of financial accounting, auditing, taxation, and management accounting would have been covered.

The wording in R156-26a-302a(1)(a)(ii) is more confusing and needs some clarification. First, the items in the list are not connected with a conjunction, as are the items in other lists in R156-26a-302a. The items in other lists are connected with either “and” or “or,” but the items in this list are not. After careful consideration, it seems that the appropriate conjunction for this list is “or,” making the requirement of courses included in a graduate degree in taxation or a master of business administration degree either (A) or (B) or (C). A conjunction should be added to clarify this meaning and improve the readability of this subsection.

Second, the meaning of the wording “a master of business administration degree which includes not less than” is unclear. Does this mean courses which are specifically part of the MBA degree? Does it include all courses taken after a baccalaureate degree is earned, including any accounting classes taken as prerequisites for the MBA program? Does it include all courses taken beyond the requirements for a baccalaureate degree? Does it include courses taken as part of the undergraduate degree? Since one of the options for meeting the specific topical coverage of
accounting courses is 24 semester hours in upper division accounting classes, would these classes actually have to be taken during the MBA program or can they have been taken after the undergraduate degree as prerequisites to the MBA program, or can they have been taken as part of the undergraduate curriculum? It is certainly unlikely that 24 upper division accounting hours could be taken as part of an MBA program, but they might be required as prerequisites, especially if the student is doing an MBA with an accounting emphasis. It is also very possible that a student who majored in accounting as an undergraduate has already had 24 hours of upper division accounting classes including coverage of the specific topics mentioned. If this student already meets the requirement for accounting hours and topics, then this option would require no graduate level accounting courses. This would be inconsistent with the other options for meeting the 150-hour requirement. Does this option really allow a student to meet the education requirement without any graduate hours in accounting? If so, why do the other options include such a requirement?

The intent of all of the different options to meet the 150-hour education requirement in Utah may be unclear. Most of the options have similar requirements, but at least one of the options seems to have a different intent. Some rewording in the administrative rules would add clarity to the intent of the different education options.

Two other small wording problems exist in R156-26a-302a and should be corrected. When referring to entities which accredit business and/or accounting programs in R156-26a-302a(1)(a), the Association to Advance Collegiate Schools of Business is erroneously referred to as the Association of Advanced Collegiate Schools of Business. Also, in R156-26a-302a(b)(iii), subsections (A), (B), and (C) are not grammatically parallel. The words “shall be taken” need to be removed to make (C) grammatically parallel with (A) and (B). This deletion will not change the meaning of the sentence but will clarify what is said.

The Utah Board of Accountancy subcontracts to have NASBA determine the eligibility of applicants to take the CPA exam in Utah. It seems that the forms online at the NASBA website do not necessarily reflect the specific education rules outlined in R156-26a-302a. The Board of Accountancy should work to make sure the NASBA forms are consistent with the Utah administrative rules. In addition, now that the law allows candidates to apply to sit for the CPA exam with 135 semester hours of education, will this require a second review of educational requirements for licensure, at least for those candidates who had not fully met the licensure education requirements at the time they applied to sit for the exam? If so, will NASBA be subcontracted for a second review? Will another fee be required for a second review? These issues need to be decided by the Division of Occupational and Professional Licensing in coordination with the Utah Board of Accountancy.

CONCLUSION

This paper has provided some background on the 150-hour education requirement for CPA licensure. The implementation of a 150-hour requirement in 54 of the 55 licensing jurisdictions has likely led to increased legislative complexity and possible ambiguity. The Utah laws and rules were discussed, and some changes were suggested which will clarify the wording and the requirements. It is important for CPA candidates to have a clear understanding of the
educational requirements they must meet to sit for the CPA exam and be licensed to practice public accounting. Other states may also need to examine their laws to see if there are ambiguities that need to be clarified.

REFERENCES


