

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

DIRECTOR'S OFFICE

ACCOUNTANCY – GENERAL RULES

Filed with the secretary of state on May 5, 2021

These rules take effect immediately upon filing with the secretary of state unless adopted under section 33, 44, or 45a(6) of the administrative procedures act of 1969, 1969 PA 306, MCL 24.233, 24.244, or 24.245a. Rules adopted under these sections become effective 7 days after filing with the secretary of state.

(By authority conferred on the department of licensing and regulatory affairs by sections 205, 308, 721, 725, 726, 728, and 729 of the occupational code, 1980 PA 299, MCL 339.205, 339.308, 339.721, 339.725, 339.726, 339.728, and 339.729, and Executive Reorganization Order Nos. 1991-9, 1996-2, 2003-1, 2008-4, and 2011-4, MCL 338.3501, 445.2001, 445.2011, 445.2025, and 445.2030)

R 338.5101, R 338.5102, R 338.5110a, R 338.5115, R 338.5116, R 338.5210, R 338.5215, and R 338.5230 of the Michigan Administrative Code are amended, and R 338.5110 and R 338.5112 are rescinded, as follows:

PART 1. GENERAL PROVISIONS

R 338.5101 Definitions.

Rule 101. (1) As used in these rules:

- (a) "Act" means the occupational code, 1980 PA 299, MCL 339.101 to 339.2677.
- (b) "Audit" or "examination" means an examination applying generally accepted auditing standards, including any procedure undertaken to verify or test the reasonableness of financial information with a view of expressing an opinion or commenting on the fairness of the presentation.
- (c) "Board" means the Michigan board of accountancy created under section 721 of the act, MCL 339.721.
- (d) "Continuing education period" means all or part of a year beginning July 1 and ending June 30.
- (e) "Continuous instruction" means education time not including breakfast, lunch, or dinner periods, coffee breaks, or any other breaks in the program.
- (f) "Disclose" means to provide a written communication from a Certified Public Accountant (CPA) or a CPA firm informing the client, prior to making a recommendation or referral, that the CPA or CPA firm will receive a commission, referral fee, or contingency fee from a third party for recommendations or referrals of products or services, or both.

(g) "Enterprise" means a person, persons, or entity for which an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm performs professional services.

(h) "Financial statements" means statements and related footnotes that show financial position, results of operations, and cash flows on the basis of generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory services reports to support recommendations to a client and does not include tax returns and supporting schedules of tax returns.

(i) "Generally accepted accounting principles" means accounting principles of professional conduct, promulgated by the applicable nationally or internationally recognized professional standard setting organization, related to individual accounting engagements.

(j) "Generally accepted auditing standards" means the standards of professional conduct, promulgated by the applicable nationally or internationally recognized professional standard setting organization, related to individual audit engagements.

(k) "Individual with practice privileges" means an individual who practices in this state under section 727a of the act, MCL 339.727a.

(l) "Nano-learning program" means a tutorial program designed to permit a participant to learn a given subject in a 10-minute time frame through the use of electronic media and without interaction with a real-time instructor.

(m) "Out-of-state firm" means a firm that is permitted to provide certain services and use the title "CPA firm" without obtaining a Michigan firm license under section 728 of the act, MCL 339.728, under the conditions in section 728(4) and (5) of the act, MCL 339.728.

(n) "Professional engagement" means an agreement between a client and an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm relative to the performance of professional services.

(o) "Professional services" means any services performed or offered to be performed by an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm for a client in the course of the practice of public accounting, under section 720 of the act, MCL 339.720.

(p) "Qualifying hours" means continuing education hours that satisfy part 3 of these rules.

(2) A term defined in the act has the same meaning when used in these rules.

R 338.5102 Standards of professional practice adopted by reference.

Rule 102. (1) The following standards are adopted by reference:

(a) The standards issued by the American Institute of CPAs (AICPA), 220 Leigh Farm Road, Durham, North Carolina, 27707, set forth in the publication "AICPA Professional Standards" updated June 1, 2020, and any statements issued as of the effective date of this rule, which are available at a cost of \$249.00 from the institute's website at <http://www.aicpa.org>.

(b) The standards issued by the Public Company Accounting Oversight Board (PCAOB), 1666 K Street NW, Washington, District of Columbia, 20006, set forth in the

publication entitled “PCAOB Standards and Related Rules” 2020 edition, and any updates issued as of the effective date of this rule, which are available at no cost from the AICPA at <http://www.aicpa.org>.

(c) The auditing standards issued by the Government Accountability Office, 441 G. St., NW, Washington, District of Columbia, 20548, in the publication entitled "Government Auditing Standards 2018 Revision" issued on July 17, 2018, which are available at no cost on the Office’s website at <https://www.gao.gov/assets/700/693136.pdf>.

(d) The auditing standards issued by the International Auditing and Assurance Standards Board (IAASB), 529 5<sup>th</sup> Avenue, New York, New York, 10017, in the publication entitled “2018 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Pronouncements” issued on December 17, 2018, and any related pronouncements issued as of the effective date of this rule, which are available at no cost from the IAASB's website at <https://www.iaasb.org/publications/2018-handbook-international-quality-control-auditing-review-other-assurance-and-related-services-26>.

(e) The accounting standards issued by the Financial Accounting Standards Board (FASB), 401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut, 06856, in the publication entitled “FASB Accounting Standards Codification” as of July 20, 2020, and any updates published as of the effective date of this rule, which are available at no cost from the board’s website at <https://asc.fasb.org>.

(f) The accounting standards issued by the Governmental Accounting Standards Board (GASB), 407 Merritt 7, P.O. Box 5116, Norwalk, Connecticut, 06856, in the publication entitled “GASB Codification” as of June 30, 2019, and any pronouncements published as of the effective date of this rule, which are available at a cost of \$132.00 from the board’s website at <http://gasb.org>.

(g) The accounting standards issued by the International Accounting Standards Board, 30 Cannon Street, London EC4M 6XH, United Kingdom, in the publication entitled “2018 International Financial Reporting Standards IFRS® (Red Book)” and any pronouncements issued as of the effective date of this rule, which are available at a cost of £78.00 from the board’s website at <http://www.ifrs.org>.

(h) The United States Securities and Exchange Commission (SEC) rules contained in 17 CFR chapter 2 and the SEC’s Interpretative Releases and Policy Statements issued as of the effective date of this rule. The SEC rules may be obtained free of charge at <http://www.ecfr.gov>. The SEC’s Interpretative Releases and Policy Statements may be obtained free of charge at <https://www.sec.gov>.

(2) Copies of the standards adopted in this rule are available for inspection and distribution at the cost of 10 cents per page from the Department of Licensing and Regulatory Affairs, Bureau of Professional Licensing, 611 W. Ottawa Street, P.O. Box 30670, Lansing, Michigan, 48909.

(3) A licensee shall satisfy the applicable standards adopted in subrule (1) of this rule.

R 338.5110 Rescinded.

## PART 2. LICENSURE REQUIREMENTS

R 338.5110a Uniform CPA exam procedures.

Rule 110a. The following procedures apply to the uniform CPA exam:

- (a) Applicants may take the required exam sections individually and in any order.
- (b) Applicants shall pass all sections of the exam within a rolling 18-month period beginning on the date that the first section is passed. If all sections are not passed within the rolling 18-month period, then credit for any section passed outside the 18-month period expires and must be retaken.
- (c) The department may extend the rolling 18-month period under subdivision (b) of this rule due to the sickness of the candidate or a member of the candidate's immediate family if substantiated by a doctor's certificate or if the candidate provides the department with proof of a death in the candidate's immediate family, temporary military service, or another good reason acceptable to the department. A candidate shall make a request for an extension within 90 days of the date of the exam. If extended, an applicant's exam does not count as a failure to write the exam.
- (d) The department or the entity contracted with the department to administer the exam may permit a candidate to sit for the exam in another state if the candidate complies with all the requirements for sitting for the exam under these rules.
- (e) The department grants a candidate credit for exam grades of 75 or higher earned in another state if the candidate satisfies the educational requirements to sit for the exam and if the board determines the exam was equivalent to the exam provided by the department.
- (f) An applicant may retake an exam section once the applicant's grade for any previous attempt of the same exam section has been released.

R 338.5112 Rescinded.

R 338.5115 Educational requirements for uniform CPA exam; approved educational institutions; adoption of accreditation standards by reference.

Rule 115. (1) To satisfy section 725(1)(b) and (2) of the act, MCL 339.725, an individual shall supply proof of both of the following:

(a) Completion of a curriculum required for a baccalaureate degree consisting of not less than 120 semester hours at a higher education institution approved under subrule (3) of this rule or considered substantially equivalent under subrule (4) of this rule.

(b) Completion of a concentration in accounting at a higher education institution approved under subrule (3) of this rule or considered substantially equivalent under subrule (4) of this rule, that includes all the accounting and general business subjects under subrule (2) of this rule.

(2) A concentration in accounting must include all the following accounting and general business subjects:

- (a) Auditing: 3 semester hours.
- (b) Twenty-four semester hours of general business subjects, other than accounting, that may include study in any of the following subjects:
  - (i) Business communications.

- (ii) Business ethics.
  - (iii) Business law.
  - (iv) Economics.
  - (v) Finance.
  - (vi) Management.
  - (vii) Marketing.
  - (viii) Information systems or technology.
  - (ix) Quantitative methods.
  - (x) Statistics.
  - (xi) Other subjects approved by the department.
- (c) Twenty-one semester hours of accounting principles that must include study in each of the following areas:
- (i) Financial accounting and accounting theory.
  - (ii) Managerial accounting, including cost accounting.
  - (iii) Accounting systems and controls.
  - (iv) Taxation.
  - (v) Governmental/fund accounting.
- (3) The board adopts by reference the procedures and criteria for recognizing accrediting agencies of the United States Department of Education, effective July 1, 2010, as contained in 34 CFR part 602, and the policies and procedures for recognition of accrediting organizations of the Council of Higher Education Accreditation (CHEA), effective June 28, 2019. The federal recognition criteria may be obtained from the United States Department of Education, Office of Postsecondary Education, 400 Maryland Avenue, SW, Washington, District of Columbia, 20202 and are available at no cost at <http://www.ecfr.gov>. The policies and procedures may be obtained from CHEA, One Dupont Circle NW, Suite 510, Washington, DC 20036 and are available at no cost at <http://www.chea.org>.
- (4) An individual who attended an unaccredited higher education institution shall establish that he or she has completed educational requirements at a higher education institution that satisfies accreditation requirements substantially equivalent to those recognized in subrule (3) of this rule by providing a credential evaluation completed by either the National Association of State Boards of Accountancy (NASBA) or a credential evaluation organization that is a current member organization of the National Association of Credential Evaluation Services (NACES).
- (5) Copies of the standards and criteria adopted by reference in this rule are available for inspection and distribution at the cost of 10 cents per page from the Department of Licensing and Regulatory Affairs, Bureau of Professional Licensing, 611 W. Ottawa Street, P.O. Box 30670, Lansing, Michigan, 48909.

R 338.5116 Educational requirements for certificate of certified public accountant.

Rule 116. (1) To satisfy section 725(1)(e) of the act, MCL 339.725, an individual shall supply proof of all the following to the department:

- (a) Completion of at least 150 semester hours at a higher education institution approved under R 338.5115(3) or considered substantially equivalent under R 338.5115(4).

(b) Completion of a baccalaureate degree or higher degree from a higher education institution approved under R 338.5115(3) or considered substantially equivalent under R 338.5115(4).

(c) Completion of a concentration in accounting under R 338.5115(1)(b) and R 338.5115(2) at a higher education institution approved under R 338.5113(3) or considered substantially equivalent under R 338.5115(4).

(2) A person may earn credit only once for an accounting or general business topic. If the department determines that 2 courses are duplicative, then only the semester hours of the first course are counted toward the semester hour requirement.

### PART 3. CONTINUING EDUCATION

R 338.5210 License renewals; continuing education requirements; applicability; continuing education waiver; reciprocity.

Rule 210. (1) This part applies to applications for renewal of an accountancy license under sections 411 and 729 of the act, MCL 339.411 and 339.729. An applicant for renewal shall submit the required fee and a completed application on a form provided by the department. Both of the following apply:

(a) Under section 729(1) of the act, MCL 339.729, an applicant for renewal who is a nonresident licensee as defined under section 720(1)(g) of the act, MCL 339.720, is considered to have met the requirements under this part if he or she satisfies all of the following requirements:

(i) Submits the required fee and a completed application on a form provided by the department.

(ii) The state in which his or her principal place of business is located requires continuing education for renewal of that state's accountancy license.

(iii) Has met the continuing education requirements of the state in which his or her principal place of business is located.

(b) If audited, the applicant shall provide a copy of the license that was renewed by the state in which his or her principal place of business is located.

(2) Submission of an application for renewal constitutes the applicant's certification of compliance with the requirements of this rule. Both of the following apply:

(a) An applicant shall retain documentation required by R 338.5215 as proof of satisfying the requirements under this rule for 4 years from the date of applying for license renewal.

(b) A licensee is subject to audit under this part and may be required to submit the documentation as described by R 338.5215 upon request of the department.

(3) A request for a continuing education waiver under section 204(2) of the act, MCL 339.204, must be received by the department before the expiration date of the license.

R 338.5215 Acceptable continuing education; requirements; limitations.

Rule 215. (1) The continuing education hours required for renewal must satisfy the following requirements:

Acceptable Continuing Education		
	Activity and proof of completion	Number of continuing education hours earned for the Activity
(a)	<p>Attendance in a group program that satisfies all the following requirements:</p> <ul style="list-style-type: none"> <li>• The subject matter of the program complies with R 338.5255.</li> <li>• The program is conducted by an instructor or discussion leader whose background, training, education, or experience makes it appropriate for him or her to lead a discussion on the subject matter.</li> <li>• The sponsor of the program takes individual attendance.</li> <li>• The sponsor of the program issues to each attendee a program outline and a written certification of the attendee's hours of attendance.</li> <li>• The sponsor of the program maintains written records of individual attendance and the program outline for 4 years.</li> </ul> <p>If audited, a licensee shall submit a copy of a letter or certificate of completion showing the licensee's name, total continuing education hours earned, sponsor name and contact information, course title, course field of study, date offered or completed, and type of instruction or delivery method used.</p>	<p>Fifty minutes of continuous instruction equals 1 continuing education hour.</p> <p>Additional credit is granted after the first 50 minutes for continuous instruction in the following amounts:</p> <ul style="list-style-type: none"> <li>• One-half credit (0.5 credit) for every additional 25 minutes.</li> <li>• One-fifth credit (0.2 credit) for every additional 10 minutes.</li> </ul>
(b)	<p>Completion of an individual nano-learning program that satisfies all the following requirements:</p> <ul style="list-style-type: none"> <li>• The subject matter of the program complies with R 338.5255.</li> <li>• The program is an educational course designed for nano-learning delivery.</li> <li>• The program uses instructional methods that define a minimum of 1 learning objective.</li> <li>• The program guides the participant through a program of learning and provides proof of a participant's satisfactory completion of the program.</li> <li>• The sponsor requires the participant to successfully complete a qualified assessment</li> </ul>	<p>Credit is awarded as 1/5 credit (0.2 credit) for each nano-learning program completed.</p> <p>A nano-learning course cannot be combined with another nano-learning course.</p> <p>A combined maximum of 20 continuing education hours may be earned under this activity and activity (f) during each</p>

	<p>with a passing grade of 100% before issuing credit for the course.</p> <ul style="list-style-type: none"> <li>• The sponsor of the program issues the participants a written certification of the participants' completion of the program and a program outline.</li> <li>• The sponsor of the program maintains written records of the participant's completion of the program and the program outline for 4 years.</li> </ul> <p>If audited, the licensee shall submit a copy of a letter or certificate of completion provided by the program sponsor verifying the licensee's name, number of continuing education hours earned, sponsor name and contact information, course title, course field of study, date completed, and type of instruction or delivery method used.</p>	continuing education period.
(c)	<p>Passing a noncredit academic course that satisfies both of the following requirements:</p> <ul style="list-style-type: none"> <li>• The subject matter of the course complies with R 338.5255.</li> <li>• The course is offered by an educational institution that complies with R 338.5115.</li> </ul> <p>If audited, the licensee shall submit a letter from the institution confirming the name and course number of the course completed, number of classroom hours attended, and the date of satisfactory course completion.</p>	Each 50 minutes of continuous instruction equals 1 continuing education hour.
(d)	<p>Passing a for-credit academic course that satisfies both of the following requirements:</p> <ul style="list-style-type: none"> <li>• The subject matter of the course complies with R 338.5255.</li> <li>• The course is offered by an educational institution that complies with R 338.5115.</li> </ul> <p>If audited, the licensee shall submit a copy of an official transcript or a letter from the institution confirming the name and course number of the course completed, credit hours earned, and date of satisfactory course completion.</p>	Fifteen continuing education hours are granted for each academic credit hour.
(e)	<p>Classroom work as a teacher, instructor, speaker, or lecturer that is part of an academic course of which the subject matter complies with R 338.5255 and is</p>	Three continuing education hours are granted for every 50



	<p>offered at an educational institution that complies with R 338.5115 or conducting a group program that satisfies the requirements under activity (a) as a teacher, instructor, lecturer, speaker, or seminar discussion leader.</p> <p>If audited, the licensee shall submit a copy of the confirmation letter provided by the program sponsor or the institution verifying the licensee's name, number of hours of classroom work or hours spent conducting the group program, course title, course field of study, and dates of the presentation or instruction.</p>	<p>minutes of continuous instruction.</p> <p>A maximum of 20 continuing education hours may be earned during each continuing education period.</p>
(f)	<p>Completion of an individual self-study program that satisfies all the following requirements:</p> <ul style="list-style-type: none"> <li>• The subject matter of the program complies with R 338.5255.</li> <li>• The program is an educational course designed for self-study.</li> <li>• The sponsor of the program issues the participants a written certification of the participant's completion of the program and a program outline.</li> <li>• The sponsor of the program maintains written records of the participant's completion of the program and the program outline for 4 years.</li> </ul> <p>If audited, the licensee shall submit a copy of a letter or certificate of completion provided by the program sponsor verifying the licensee's name, number of continuing education hours earned, sponsor name and contact information, course title, course field of study, date completed, and type of instruction or delivery method used.</p>	<p>Twenty-five minutes of continuous instruction equals <math>\frac{1}{2}</math> (0.5 credit) of 1 continuing education hour.</p> <p>One-fifth (0.2 credit) of 1 continuing education hour is granted for every additional 10 minutes of continuous instruction after the first 25 minutes of continuous instruction.</p> <p>A combined maximum of 20 continuing education hours may be earned under this activity and activity (b) during each continuing education period.</p>
(g)	<p>A course in professional ethics that complies with the requirements of activity (a), (b), (c), (d), (e), or (f) is approved if the subject matter of the course complies with R 338.5255(2).</p> <p>If audited, the licensee shall submit a copy of a letter or certificate of completion provided by the program sponsor verifying the licensee's name, number of continuing education hours earned, sponsor name and contact information, course title, course field of</p>	<p>Continuing education hours are granted in an amount allowed under the type of activity for which the course qualifies.</p>

	study, date completed, and type of instruction or delivery method used.	
(h)	<p>Completion of a course in Michigan statutes and administrative rules applicable to public accountancy that satisfies all the following requirements:</p> <ul style="list-style-type: none"> <li>• The content of the course is created by the Michigan Association of Certified Public Accountants.</li> <li>• The course provider issues the participants a written certification of the participant's completion of the course and a course outline.</li> <li>• The sponsor of the program maintains written records of the participant's completion of the course and the course outline for 4 years.</li> </ul> <p>If audited, the licensee shall submit a copy of a letter or certificate of completion provided by the program sponsor verifying the licensee's name, number of continuing education hours earned, sponsor name and contact information, course title, course field of study, date completed, and type of instruction or delivery method used.</p>	Fifty minutes of continuous instruction equals 1 continuing education hour.

(2) Continuing education hours are not granted for a program or activity that has substantially the same content of a program or activity for which the applicant has already earned continuing education hours during the continuing education period.

#### R 338.5230 Relicensure; continuing education.

Rule 230. (1) An applicant for relicensure whose license has lapsed for less than 3 years after the expiration date of the last license may be relicensed under section 411(3) of the act, MCL 339.411(3), if the applicant satisfies both of the following requirements:

(a) Submits the required fee and a completed application on a form provided by the department.

(b) Submits proof to the department of the completion of 40 hours of continuing education within the 12 months immediately preceding the date of filing the relicensure application. However, if the continuing education hours submitted with the application are deficient, the application will be held by the department and the applicant shall provide proof of completing the deficient hours within 1 year of the date of filing the relicensure application. The 40 hours must satisfy all the following requirements:

(i) Satisfy the requirements of R 338.5215.

(ii) Eight of the 40 hours are in auditing and accounting.

(iii) Two of the 40 hours are in professional ethics.

(iv) One of the 2 hours is in professional ethics that satisfies the requirements under R 338.5215(1)(h).

(2) An applicant whose license has been lapsed for 3 or more years after the expiration date of the last license may be relicensed under section 411(4) of the act, MCL 339.411(4), if the applicant satisfies all of the following requirements:

(a) Submits the required fee and a completed application on a form provided by the department.

(b) Establishes that he or she holds a valid and unrevoked certificate as a certified public accountant that was issued under section 725 or 726 of the act, MCL 339.725 and 339.726.

(c) Submits proof to the department of the completion of 40 hours of continuing education within the 12 months immediately preceding the date of filing the relicensure application. However, if the continuing education hours submitted with the application are deficient, the applicant has 1 year from the date of filing the application to provide proof of completing the deficient hours. The 40 hours must satisfy all the following requirements:

(i) Satisfy the requirements of R 338.5215.

(ii) Eight of the 40 hours are in auditing and accounting.

(iii) Two of the 40 hours are in professional ethics.

(iv) One of the 2 hours is in professional ethics that satisfies the requirements under R 338.5215(1)(h).

(3) The continuing education hours required for the continuing education period of the year in which the license is granted under this rule are prorated starting with the month following the date of relicensure.

(4) The department shall not calculate the period of a lapsed license based on a current or lapsed registration. A registrant whose license has lapsed for less than 3 years shall satisfy the requirements under subrule (1) of this rule. A registrant whose license has lapsed for 3 years or more shall satisfy the requirements under subrule (2) of this rule.