

## **The CPA Pipeline and 150-Hour Rule – The Evolving Path to CPA Licensure**

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### **Abstract**

The accounting profession is at an important crossroads. The traditional pathway to Certified Public Accounting licensure is facing challenges as the profession confronts a shortage of talent, declining student interest, and calls for broader accessibility. This “pipeline problem” is a critical issue for accounting firms, corporations, and academia, and must be addressed by the profession to ensure that qualified accountants are in supply to meet the increasing demands of the workforce. Many in the profession argue that the “150-hour rule”, which requires candidates aspiring CPA licensure to complete 150 hours of college credit before becoming licensed, has contributed to the steady decline in candidates. Revisions to the Uniform Accountancy Act model and state-led reforms to licensing requirements have recently been introduced to help alleviate the pipeline shortage. This paper provides an analysis of the existing landscape of CPA licensure, including the 150-hour rule, emerging alternatives, and an assessment of the implications for the future of the accounting profession.

*Keywords:* CPA licensure, 150-hour rule, Accounting reform, State CPA requirements, Accounting education

## **The CPA Pipeline and 150-Hour Rule – The Evolving Path to CPA Licensure**

### **Introduction**

The accounting profession is at an important crossroads. The traditional pathway to Certified Public Accounting (CPA) licensure is facing challenges as the profession confronts a shortage of talent, declining student interest, and calls for broader accessibility. This “pipeline problem” must be addressed by the profession to ensure that qualified accountants are in supply to meet the increasing demands of the workforce. Delving into the main challenges the CPA Pipeline faces, one must consider what exactly is changing in the industry. The main problem is that there is a lack of skilled individuals entering the profession, but demand for these services continues to rise. According to the American Institute of Certified Professional Accountants (Mintz & Miller, 2023), one factor that is hindering the CPA and accounting community is that the current workforce is aging and nearing retirement. The AICPA specifically suggests that around 75% of these professionals are within a 15-year time frame of retiring, but there are not enough students entering the workforce to replace them (Trainor, 2023).

Most states have adopted a “150-hour rule” over the past three decades, which requires candidates aspiring CPA licensure to complete 150 hours of college credit before becoming licensed. The rule was originally intended to provide CPAs with the necessary knowledge to effectively practice in the accounting profession, providing them with competence that was greater in scope than one could expect to gain in a traditional baccalaureate degree program. Recently, requirements for CPA licensure have undergone significant changes. The American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) have revised the Uniform Accountancy Act (UAA) model to comprise an additional third pathway to CPA licensure. Licensing still requires at least a baccalaureate degree with required accounting coursework, work experience, and passing the CPA Exam (AICPA, 2025); but now candidates can choose between three education/experience alternatives: a bachelor’s degree with 30 additional credit hours and one year of experience; a master’s degree with one year of experience; or a third pathway which allows a bachelor’s degree and two years of work experience (effectively bypassing the fifth-year requirement) (NASBA and AICPA, 2025). Proponents of the third pathway argue that the more rigorous 150-hour requirement does not significantly improve the candidate’s performance, but instead “acts as a barrier to entry for potential CPAs with no accompanying increase in candidate quality,” (Meehan & Stephenson, 2020, p. 382). This paper provides an analysis of the existing landscape of CPA licensure, including the 150-hour rule, emerging alternatives, and an assessment of the implications for the future of the accounting profession.

## **Literature Review**

### **Historical Evolution of the 150-hour Rule**

The 150-hour education requirement was part of the accounting profession's desire to improve its status, as practitioners are knowledgeable enough to participate in the ever-growing, complex nature of the business environment. The requirement was first adopted by Florida in 1983, followed by other states that gradually adopted it, with the majority of states adopting it by the early 2000s. Each state has its board of accountancy that sets specific requirements for experience and courses; however, the CPA qualification requirements are broadly similar. The 150-hour rule's advocates argued that further education was necessary because accounting practice was growing to include new financial instruments, international standards, and technological integration. The AICPA maintained that the 150-hour requirement made the profession more credible and would enable CPAs to compete with other professionals who require advanced degrees. However, evaluating the effectiveness of the requirement has demonstrated a loss of support for the 150-hour rule. Barrios (2022) has argued that the 150-hour mandate provides little to no impact on quality measures or long-term retention in the profession. Further, he suggests that the increased licensing requirements have discouraged new entrants while contributing little to the quality of the labor market.

### **Impact on Diversity and Accessibility**

The nature of the 150-hour rule has also raised significant concerns about diversity in the accounting profession. Dai et al. (2024) sought to understand the changes in the demographics of CPA candidates before and after the imposition of the 150-hour requirement. Their findings revealed a wide range of differences in how the requirements affected different demographic groups. The 150-hour rule has significantly reduced the number of minority applicants by 26% and the number of new general applicants by 14%. This has cast doubts regarding the role of the rule in creating entry barriers. This is of special concern because the profession is already working to raise its level of diversity and cover the representation gaps (Vereckey, 2024).

Researchers have also reviewed the causes of the economic disparities that concern them. The 150-hour rule means that the extra year of school to meet the rule impacts lower socioeconomic students disproportionately and tends to fall on minority or first-generation college students who are mostly of lower socioeconomic status (Schuyler et al., 2021). The cost of one more year of education, along with the repayment of student loans, puts substantial economic obstacles in the way that can discourage eligible applicants from attaining the CPA license.

### **Differences between State-by-state and Mobility problems**

Although the 150-hour requirement has been implemented by many states, as noted earlier, major implementation differences exist. There are significant variations in specific course requirements within the required 150 hours, as well as in timing to enable the candidates to sit for the CPA exam, experience requirements, acceptable types of employment, continuing education obligations, and reciprocity and mobility provisions across states. Even with the differences in

implementation, Mintz et al. (2023) argue that reducing the credit hour rule would undermine the “equivalent qualification” requirement and the mobility and reciprocity privileges presently enjoyed by CPAs.

Many states have already made changes to their licensing requirements or are pursuing reforms to increase access to CPA licenses. However, these changes have increased the restrictions that prevent interstate mobility. The substantial equivalency model, created to facilitate the mobility of CPAs from state to state, is in jeopardy because there is no uniformity of licensing requirements among states. Research suggests that having varying state standards also poses a compliance challenge to CPAs who work across multiple jurisdictions (Mintz et al., 2023). The flexibility of state requirements may increase accessibility, but this approach introduces complexity for practitioners and regulatory bodies.

### **New Alternative Pathways**

A new route for the initial CPA credential licensure has been made available by recent changes. As an initial step toward a fresh approach that takes competency levels into account, the suggested option calls for 120 credits, two years of work experience, and passing the CPA exam. Before this pathway, the candidate would either pursue a bachelor’s degree with an accounting concentration, have a master’s degree, and then pass the CPA exam. The proposed competency-based pathway is in line with the findings of Barrios (2022) and considers the changing accounting environment.

A competency-based approach aligns with the broader shifts in professional education and credentialing. In one study, Stewart (2021) argues that emphasizing proven skills and knowledge over class time benefits both the profession and the candidates, especially for marketable skills and cost savings. He also suggests that practical experience, continuous learning, and more performance-based assessments create better stewards of the accounting profession and its expertise than the number of credit hours one has accrued.

### **Technology and Transformation of Accounting Work**

The nature of work performed, driven by technological advancements, has also shaped the implementation of new licensure requirements. In research by Trapnell et al. (2023), they shed light on how automation, artificial intelligence, and data analytics are changing the profession. Their research suggests that traditional education models fail to equip candidates with technology-heavy work environments. They identify how changing technology is disrupting the entire accounting ecosystem and changing accountants’ expectations, leading to reduced CPA enrollments and increased retention challenges. The evolution of the CPA requirement to a more competency-based one aims to change the current licensing model and reflect gaming skills and competencies. Under this initiative, there is an acknowledgment that fixed education requirements cannot keep pace with the evolving needs of the profession. Instead, the initiative promotes a shift toward more adaptive learning, lifelong skills development, and competency verification throughout the career path of practitioners.

## **Discussion**

### **Analysis of the Current Crisis**

The drop in accounting enrollment, the issue of diversity, and the economic environment have led to a situation many describe as a crisis in CPA pipeline development. The changes that are gaining momentum will alter the U.S. licensure system of relatively homogeneous CPAs, which has existed for several decades. This change suggests that the existing system may not be sustainable due to labor forces and population considerations. There is an inherent conflict in the profession, as high standards are required in addition to sufficient access to the pipeline (Mintz et al., 2023). The historical claims of improved knowledge base, establishment of professional credibility, and competitive advantage associated with requiring 150 hours must be evaluated, because research suggests that the practice has hurt diversity and accessibility efforts. The dilemma is how to maintain the value of CPA credentials while eliminating unwarranted obstacles to entry.

### **Implications of Alternative Pathways**

The AICPA and NASBA's proposal for competency-based experience pathways represents an important policy change. This pattern suggests that more and more people are learning that professional competency may be shown in a variety of ways, not just through traditional academic credentials. There are a number of potential advantages to the experience-based method. By enabling the candidate to obtain practical experience during the licensing process, it provides advanced practical expertise, which may help with job readiness and competency in an entry-level position. Secondly, it reduces financial barriers. The costs of education will decrease with the removal of the extra 30 credit hours in terms of both the direct costs of education and the opportunity cost of a delayed entry into the workforce (Stewart, 2021). Thirdly, the move will increase accessibility. The practice-based pathway could attract candidates who are discouraged by conventional educational standards but possess strong practical aptitude. Finally, the pathway will enhance employer engagement. Requirements based on experience encourage employers to cooperate in developing candidates and potentially enhance industry-academia collaboration.

However, alternative pathways still present some unique obstacles. The first is quality assurance. There must be firm systems of oversight and assessment to ensure that experience-based learning offers equivalent preparation to traditional learning. Secondly, standardization issues could arise. Varying experience requirements among employers and jurisdictions can pose a problem in consistently preparing candidates (Mintz et al., 2023). Thirdly, there would be mobility implications. Different requirements by states cast doubt on the concept of substantial equivalency and interstate mobility. Finally, alternative pathways may make stakeholders perceive a dilution of the CPA credential's prestige and rigor.

### **State-Level Implementation Challenges**

The state-by-state approach to CPA licensure presents both opportunities and challenges to the profession. In terms of opportunities, it allows for state-level flexibility and experimentation. States can try new strategies and provide valuable data on effectiveness and outcomes. In addition, it ensures local adaptation. Requirements can be adapted to the state-specific economic

circumstances, educational infrastructure, and labor force needs. Furthermore, it promotes competitive advantage. States that have more accessible requirements may attract accounting students and professionals who contribute to local economic development. Cascino et al. (2020) noted that mobility provisions removed barriers and decreased service prices even though employment levels were unaffected.

An important challenge resulting from a state-by-state approach involves regulatory complexity. Varying requirements increase compliance burdens for multi-state practitioners and educational institutions, limiting the mobility and privileges of CPAs. Additionally, inconsistent standards can compromise the perception of quality due to differences in credentials across states.

### **Technology Integration and Future Skills**

Technology is causing disruptive changes in accounting, which calls into question the value of conventional teaching methods. Blockchain technology, automated bookkeeping, and AI-powered analysis are drastically changing the core accounting industry. In the future, CPAs will likely invest more of their time in strategy analysis, advisory activities, and technology management than in traditional accounting tasks (Trapnell et al., 2023). This evolution implies that the licensure requirements should focus on the ability to be flexible, technology-savvy, and analytical rather than relying on a list of unchanging procedures. It's also possible that competency-driven approaches, which place a greater value on real skills than finished coursework, will help to foster this environmental dynamic.

### **Conclusion**

The rise of talent shortages, diversity issues, economic pressures, and technological advancements has produced a strong case for reforming traditional CPA licensure requirements. The proposal by the AICPA and NASBA for a competency-based pathway is a sign that the profession should change to stay viable and relevant. The initially well-intentioned 150-hour rule has created unintended barriers to the profession and society. The adverse effects on the CPA Pipeline give sufficient reason for seeking alternative pathways. However, the emerging competency-based model will require robust evaluation systems, quality assurance, and the management of other independent factors, such as cultural dissatisfaction, to achieve desired results. State-level experimentation provides sufficient opportunity, but innovation and consistency are required to retain mobility and credential recognition. The goal is to create a licensing system that effectively identifies qualified professionals and removes unnecessary obstacles to entry. Maintaining the profession's longevity and acting in the public interest calls for coming to a compromise.

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