

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 884 Session of 2014

INTRODUCED BY BROWNE, SCHWANK AND HUTCHINSON, JUNE 18, 2014

REFERRED TO CONSUMER PROTECTION AND PROFESSIONAL LICENSURE,
JUNE 18, 2014

AN ACT

1 Amending the act of May 26, 1947 (P.L.318, No.140), entitled, as
2 amended, "An act relating to the practice of public
3 accounting; providing for the examination, education and
4 experience requirements for certification of certified public
5 accountants and for the licensing of certified public
6 accountants, public accountants and firms; requiring
7 continuing education and peer review; providing for the
8 organization and ownership of firms and for the procedures
9 and grounds for discipline and reinstatement of licensees;
10 prescribing the powers and duties of the State Board of
11 Accountancy and the Department of State; providing for
12 ownership of working papers and confidentiality; regulating
13 the professional responsibility of licensees; defining
14 unlawful acts and acts not unlawful; providing penalties; and
15 repealing existing laws," further providing for licensing of
16 firms.

17 The General Assembly of the Commonwealth of Pennsylvania
18 hereby enacts as follows:

19 Section 1. Section 8.8 of the act of May 26, 1947 (P.L.318,
20 No.140), known as the CPA Law, reenacted and amended December 8,
21 1976 (P.L.1280, No.286), amended July 9, 2008 (P.L.954, No.73),
22 is amended to read:

23 Section 8.8. Licensing of Firms.--(a) The following shall
24 apply:

25 (1) A person other than an individual shall not practice

1 public accounting in this Commonwealth unless it:

2 (i) is a qualified association, has been granted a license
3 to practice and satisfies the requirements of this section at
4 all times while it is a licensee[.]; or

5 (ii) meets the requirements of section 5.4 of this act.

6 (2) A new firm shall apply for its initial license within
7 thirty days after its formation; thereafter, the firm's license
8 shall be subject to renewal in accordance with section 8.2 of
9 this act.

10 (3) A new firm must designate a licensee of this
11 Commonwealth, or for a firm which practices pursuant to section
12 5.4 of this act, a licensee of another state who meets the
13 requirements under section 5.2 of this act, who is responsible
14 for the proper registration of the firm and who identifies that
15 individual to the board.

16 (b) The initial and all renewal license applications by a
17 firm shall:

18 [(1) List the name, home address and license number of each
19 certified public accountant or public accountant who owns an
20 equity interest directly or indirectly in the firm and who is a
21 licensee.

22 (2) List the name and home address of each qualified
23 nonlicensee who owns an equity interest in the firm if the
24 principal residence or the office out of which the individual
25 principally practices is located in this Commonwealth.]

26 (3) Include a statement that the firm is in compliance with
27 subsections (d) and (e).

28 (c) An initial or renewal license shall not be issued to a
29 firm after April 30, 2000, unless the firm complies with the
30 requirements of section 8.9 of this act.

1 (d) A firm shall satisfy all of the following requirements:

2 (1) At least one general partner if the firm is a
3 partnership, one record and beneficial owner of common shares if
4 the firm is a corporation or one owner of a similar equity
5 interest if the firm is any other form of qualified association
6 shall be a certified public accountant or public accountant who
7 is a licensee.

8 (2) Except as provided in subsections (e) and (f), each
9 shareholder, partner, member or other owner of an equity
10 interest in the firm must be the holder of a current license to
11 practice public accounting as a certified public accountant or
12 public accountant under the laws of this Commonwealth or another
13 jurisdiction. This clause shall not:

14 (i) apply in the case of a person who withdraws from a firm
15 for such period as may be reasonable under the circumstances to
16 permit the firm to comply with this requirement; or

17 (ii) prohibit payments by a firm to a former equity owner or
18 his estate in connection with his withdrawal from the firm.

19 (3) [Each individual in charge of an office that performs
20 any attest] Attest activity [or business unit of the firm]
21 rendered in this Commonwealth shall be under the charge of a
22 certified public accountant or public accountant who is a
23 licensee in this Commonwealth or another state.

24 [(4) The principal executive officer of the firm shall be a
25 certified public accountant or public accountant who holds a
26 current license to practice public accounting in this
27 Commonwealth or another state.]

28 (5) An individual who does not hold a current license to
29 practice public accounting as a certified public accountant or
30 public accountant in this Commonwealth or another state or

1 foreign jurisdiction shall not assume ultimate responsibility
2 for any attest activity.

3 (e) Notwithstanding any other provision of law, a qualified
4 nonlicensee may own an equity interest in a firm if all of the
5 following conditions are met:

6 (1) All of the qualified nonlicensees owning equity
7 interests in the firm shall not:

8 (i) own in the aggregate equity interests in the firm
9 entitling them to cast more than forty-nine percent of the votes
10 on any issue or to receive more than forty-nine percent of any
11 dividend or other distribution of profits or assets of the firm;
12 or

13 (ii) constitute more than forty-nine percent in number of
14 the owners of equity interests in the firm.

15 (2) The qualified nonlicensee shall not hold himself out as
16 a certified public accountant or public accountant.

17 (3) The qualified nonlicensee shall be permitted to
18 designate or refer to himself as a principal, owner, officer,
19 member or shareholder of the firm. The qualified nonlicensee may
20 also use such other titles as may be authorized by the
21 regulations of the board.

22 (4) The qualified nonlicensee shall not:

23 (i) have pleaded guilty to, entered a plea of nolo
24 contendere to or been found guilty or been convicted of a felony
25 under the laws of this Commonwealth or any other jurisdiction;
26 or

27 (ii) be in violation of any regulation of the board
28 regarding the character or conduct of a qualified nonlicensee
29 who is the owner of an equity interest in a firm.

30 (5) The participation of the qualified nonlicensee in the

1 business of the firm must be the principal occupation of the
2 individual and shall be in the nature of providing services to
3 the firm or clients of the firm and not solely as an investor or
4 in another commercial or passive capacity.

5 (6) The qualified nonlicensee has graduated with a
6 baccalaureate or higher degree from a college or university
7 approved at the time of graduation by the Department of
8 Education.

9 (7) The qualified nonlicensee shall comply with all
10 applicable provisions of this act and the regulations of the
11 board.

12 (f) An equity interest in a firm may be owned indirectly but
13 only if all of the ultimate, indirect beneficial owners of the
14 equity interest are licensees.

15 (g) In accordance with the procedure referred to in section
16 9 of this act, the board may revoke the license to practice of a
17 firm if at any time it is in violation of any of the provisions
18 of this section.

19 Section 2. This act shall take effect in 60 days.