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**SENATE CS FOR HOUSE BILL NO. 315(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to public accounting; and providing for an effective date."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **\* Section 1.** AS 08.04.020(b) is amended to read:

4 (b) Except for public members, an individual may not be appointed unless the  
5 individual holds a current license. Public members may not be employed by a person  
6 holding a license, permit, out-of-state exemption, or practice privilege under this  
7 chapter. Notwithstanding AS 08.01.025, an accountant who does not hold a license  
8 under this chapter and is not engaged in the practice of public accounting in violation  
9 of this chapter is eligible for appointment as a public member under this section.

10 **\* Sec. 2.** AS 08.04 is amended by adding a new section to read:

11 **Sec. 08.04.055. Executive secretary of board.** (a) The department, in  
12 consultation with the board, shall employ a certified public accountant or person who  
13 has other accounting experience satisfactory to the board and who is not a member of  
14 the board to serve as executive secretary of the board.

15 (b) The executive secretary shall perform duties as prescribed by the board.

\* **Sec. 3.** AS 08.04.070 is amended by adding a new subsection to read:

(h) The board shall define by regulation the qualifications and duties of the executive secretary and delegate authority to the executive secretary as necessary to conduct board business.

\* **Sec. 4.** AS 08.04.075 is amended to read:

**Sec. 08.04.075. Substantial equivalency.** The [UPON REQUEST OF AN APPLICANT FOR A PRACTICE PRIVILEGE UNDER AS 08.04.420(a), OR ON THE BOARD'S OWN MOTION, THE] board shall determine whether the **education, examination, and experience** qualifications of another state or **an individual** [THE APPLICANT] are substantially equivalent to the national standard or to another standard established by the board to protect the public interest. The board may adopt by regulation the qualifications established by a nationally recognized professional organization for accountants as the national standard or for another standard established by the board to protect the public interest. The board may accept the determination of a nationally recognized professional organization for accountants **or adopt another standard as to** [OF] whether the qualifications of the other state or **an individual** [THE APPLICANT] are substantially equivalent to the national standard. **When ascertaining substantial equivalency under this chapter, the order in which education, examination, or experience requirements were attained shall be disregarded** [OR TO ANOTHER STANDARD ESTABLISHED BY THE BOARD TO PROTECT THE PUBLIC INTEREST].

\* **Sec. 5.** AS 08.04.100 is amended to read:

**Sec. 08.04.100. Certificate granted.** The certificate of "Certified Public Accountant" shall be granted by the board to any person who meets the requirements of AS 08.04.110 - 08.04.130. The holder of a certificate issued under this section is not authorized to engage in the practice of public accounting in the state unless the holder also has a current license **or** [,] permit, **or an out-of-state exemption** or practice privilege [ISSUED UNDER THIS CHAPTER].

\* **Sec. 6.** AS 08.04.200 is amended to read:

**Sec. 08.04.200. Use of title "certified public accountant" by individual.** An individual who has a license from the board as a certified public accountant or holds a

practice privilege [OR AN OUT-OF-STATE PERMIT UNDER AS 08.04.420] shall be known as a certified public accountant and may use the abbreviation "CPA."

\* **Sec. 7.** AS 08.04.240(a) is repealed and reenacted to read:

(a) The board shall grant a permit to engage in the practice of public accounting as a partnership to a partnership that applies to the board as a partnership of certified public accountants if the partnership meets the following requirements:

(1) more than one-half of the ownership of the partnership belongs to certified public accountants of this or another state in good standing;

(2) an individual who is a certified public accountant or has a practice privilege, who is responsible for supervising attest functions or compilation services in the partnership, and who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the partnership meets the competency requirements established by the board under AS 08.04.423;

(3) an individual who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the partnership meets the competency requirements established by the board under AS 08.04.423; and

(4) each partner who is personally engaged in this state in the practice of public accounting as a member of that partnership and whose principal place of business is in this state is a certified public accountant of this state in good standing.

\* **Sec. 8.** AS 08.04.240(b) is repealed and reenacted to read:

(b) The board shall grant a permit to engage in the practice of public accounting as a corporation to a corporation organized for the practice of public accounting that applies to the board as a corporation of certified public accountants if the corporation meets the following requirements:

(1) the sole purpose and business of the corporation is to furnish to the public services not inconsistent with this chapter or the regulations adopted under it by the board; however, the corporation may invest its funds in a manner not incompatible with the practice of public accounting;

(2) at least a simple majority of the shares of the corporation are owned by certified public accountants of this or another state in good standing and the principal officer of the corporation and any officer having authority over the practice

of public accounting by the corporation is a certified public accountant of this or another state in good standing;

(3) an individual who is a certified public accountant or has a practice privilege, who is responsible for supervising attest functions or compilation services in the corporation, and who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the corporation meets the competency requirements established by the board under AS 08.04.423;

(4) an individual who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the corporation meets the competency requirements established by the board under AS 08.04.423;

(5) each shareholder or director personally engaged in this state in the practice of public accounting and whose principal place of business is located in this state is a certified public accountant of this state in good standing;

(6) to facilitate compliance with the provisions of this section relating to the ownership of stock, there is a written agreement binding the corporation or the qualified shareholders to purchase shares offered for sale by, or not under the ownership or effective control of, a qualified shareholder and binding a holder not a qualified shareholder to sell these shares to the corporation or the qualified shareholders; the agreement must be noticed on each certificate of corporate stock; the corporation may purchase any amount of its stock for this purpose, notwithstanding any impairment of capital, so long as one share remains outstanding; and

(7) the corporation is in compliance with those other regulations pertaining to corporations practicing public accounting in this state that the board may adopt.

\* **Sec. 9.** AS 08.04.240(c) is amended to read:

(c) Application for a permit under this section shall be made upon the affidavit of a general partner, member, or shareholder who is a certified public accountant of this state in good standing **or an individual with a practice privilege**. The board shall, in each case, determine whether the applicant is eligible for a permit under this section. A partnership, limited liability company, corporation, or other legal entity that is issued a permit under this section may use the words "certified public accountants"

or the abbreviation "CPAs" in connection with the name of the partnership, limited liability company, corporation, or other legal entity. The board shall be notified within one month after the admission or withdrawal of a partner, member, or shareholder from a partnership, limited liability company, corporation, or other legal entity issued a permit under this section.

\* **Sec. 10.** AS 08.04.240(d) is repealed and reenacted to read:

(d) The board shall grant a permit to engage in the practice of public accounting as a limited liability company to a limited liability company engaged in this state in the practice of public accounting that applies to the board as a limited liability company of certified public accountants if

(1) the sole purpose and the sole business of the company are to furnish to the public services that are consistent with this chapter or the regulations adopted under this chapter, except that the company may invest its money in a manner that is compatible with the practice of public accounting;

(2) more than one-half of the ownership of the limited liability company belongs to certified public accountants of this or another state in good standing;

(3) an individual who is a certified public accountant or has a practice privilege, who is responsible for supervising attest functions or compilation services in the company, and who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the company meets the competency requirements established by the board under AS 08.04.423;

(4) an individual who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the company meets the competency requirements established by the board under AS 08.04.423; and

(5) each member personally engaged in this state in the practice of public accounting and whose principal place of business is located in this state is a certified public accountant of this state in good standing.

\* **Sec. 11.** AS 08.04.240(g) is amended to read:

(g) The board shall renew a permit granted under (a), (b), (d), or (e) of this section or a renewal issued under this subsection if

(1) the permittee maintains all of the licensee's offices **that are located in this state** as required by AS 08.04.360 - 08.04.380;

(2) each individual who is required by (a), (b), (d), or (e) of this section to be a certified public accountant **of this state** complies with the continuing education requirements of AS 08.04.425 and the quality review requirements of AS 08.04.426; and

(3) the permittee complies with the requirements of this chapter, **including the competency requirement of (a)(2) and (3), (b)(3) and (4), and (d)(3) and (4) of this section.**

\* **Sec. 12.** AS 08.04.240 is amended by adding new subsections to read:

(i) For the purposes of issuing a permit under this section, a partnership, limited liability company, corporation, or other legal entity may include owners who are not certified public accountants if

(1) the partnership, corporation, limited liability company, or other legal entity designates a certified public accountant or an individual with practice privileges to be responsible for the proper registration of the entity and identifies the certified public accountant or individual to the board;

(2) all of the owners of the partnership, corporation, limited liability company, or other legal entity who are not certified public accountants are active individual participants in the partnership, corporation, limited liability company, or other legal entity, or in an entity affiliated with the partnership, corporation, limited liability company, or other legal entity; and

(3) the partnership, corporation, limited liability company, or other legal entity complies with the other requirements that the board may adopt by regulation to protect the public interest as described under AS 08.04.005.

(j) If the ownership of a partnership, limited liability company, corporation, or other legal entity, after it has received or renewed a permit, does not comply with (i) of this section, the partnership, limited liability company, corporation, or other legal entity shall take corrective action to comply with (i) of this section within a reasonable time after the noncompliance begins. The board shall establish by regulation the criteria to determine what is a reasonable time and may base the regulation on national

standards.

\* **Sec. 13.** AS 08.04.370 is amended to read:

**Sec. 08.04.370. Use of title "certified public accountant" by office of legal entity [ORGANIZATION].** The title "certified public accountant" or the abbreviation "CPA" may not be used in connection with an office of **a legal entity** [AN ORGANIZATION] holding a permit **or an out-of-state exemption** [UNDER AS 08.04.240 OR 08.04.420(c)] unless the supervision requirement of AS 08.04.360 is satisfied.

\* **Sec. 14.** AS 08.04.380 is amended to read:

**Sec. 08.04.380. Waiver of requirements.** The board may waive the requirements of **AS 08.04.240(a)(4), (b)(5), and (d)(5)**, [AS 08.04.240(a)(3), (b)(4), AND (d)(4), AND] 08.04.360, and 08.04.370 if

(1) the community has a population of 2,000 or less; and

(2) the individual, partnership, corporation, limited liability company, or other legal entity that opens or maintains the office maintains another office in the state that meets the requirements outlined in AS 08.04.360 and 08.04.370.

\* **Sec. 15.** AS 08.04.420 is repealed and reenacted to read:

**Sec. 08.04.420. Practice privileges.** (a) Except as limited by (b) of this section, an individual who does not have a license in this state, but who is licensed to practice public accounting in another state and whose principal place of business for the practice of public accounting is in the other state may engage in the practice of public accounting in this state under a practice privilege if the state in which the individual is licensed to practice public accounting

(1) requires as a condition of licensure that an individual

(A) have at least 150 semester hours of college education, including a baccalaureate or higher degree conferred by a college or university;

(B) achieve a passing grade on the Uniform Certified Public Accountant Examination; and

(C) possess at least one year of experience, which includes providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting

skills; the experience may be obtained through practice with the government, industry, colleges, universities, or the public; or

(2) does not require as a condition of licensure that an individual satisfy the requirements of (1) of this subsection but the individual's qualifications are substantially equivalent to the requirements of (1) of this subsection; however, for the purposes of this paragraph, the education of an individual who holds a valid license to practice public accounting that is issued by another state before January 1, 2013, and who passes the Uniform Certified Public Accountant Examination before January 1, 2013, is exempt from the education requirement identified in (1)(A) of this subsection.

(b) Unless the individual is a sole practitioner, if an individual who engages in the practice of public accounting under a practice privilege under (a) of this section performs designated functions for a client whose home office is in this state, the individual may only provide the designated functions through a legal entity that has a permit.

(c) An individual who may engage in the practice of public accounting in this state under (a) or (b) of this section is not required to provide a notice to the board, to pay a fee to the board, or to submit documentation to the board in order to engage in the practice of public accounting in this state. The person may engage in the practice of public accounting by mail, by telephone, by electronic means, or in person.

\* **Sec. 16.** AS 08.04 is amended by adding new sections to read:

**Sec. 08.04.421. Out-of-state permits and exemptions.** (a) A legal entity that does not have an office in this state, that is authorized to practice public accounting in another state, and that performs designated functions for a client whose home office is located in this state may not engage in the practice of public accounting in this state unless the legal entity has an out-of-state permit. To obtain an out-of-state permit, the legal entity shall submit to the board

- (1) a written notice on a form provided by the board;
- (2) the fee required by the board;
- (3) verification of the current authorization of the legal entity to practice public accounting in the other state; and
- (4) verification that the legal entity participates in a quality review



1 program comparable to the program required of entities registered under  
2 AS 08.04.426.

3 (b) A legal entity that performs designated services but not designated  
4 functions for a client whose home office is located in this state may engage in the  
5 practice of public accounting in this state under an out-of-state exemption if the legal  
6 entity

7 (1) does not have an office in this state;

8 (2) is authorized to practice public accounting in another state;

9 (3) performs the designated services through an individual with a  
10 practice privilege; and

11 (4) participates in a quality review program comparable to the program  
12 required under AS 08.04.426.

13 (c) A legal entity that does not have an office in this state, is authorized to  
14 practice public accounting in another state, and does not perform designated functions  
15 or designated services for a client whose home office is located in this state may  
16 engage in the practice of public accounting in this state under an out-of-state  
17 exemption if the services that the legal entity performs within the practice of public  
18 accounting are performed

19 (1) through an individual who has a practice privilege; and

20 (2) only to the extent that the legal entity can lawfully perform the  
21 services in the state where the individual with a practice privilege has the individual's  
22 principal place of business.

23 (d) If the board denies an out-of-state permit to a legal entity under (a) of this  
24 section, the board shall provide notice of the denial to the legal entity.

25 (e) Notwithstanding AS 08.01.100(b), the board shall establish by regulation  
26 the period for which an out-of-state permit authorized by (a) of this section is valid.  
27 However, the initial term of an out-of-state permit may not exceed three years. The  
28 board may renew an out-of-state permit and shall establish by regulation the terms for  
29 and length of a renewal.

30 (f) A legal entity who may engage in the practice of public accounting under  
31 an out-of-state exemption is not required to provide a notice to the board, pay a fee to

the board, or submit documentation to the board. The person may engage in the practice of public accounting by mail, by telephone, by electronic means, or in person.

(g) In this section, "designated service" means

(1) a review of a financial statement, if the performance of the review is established by the Statements on Standards for Accounting and Review Services; or

(2) a compilation service.

**Sec. 08.04.422. Conditions of practice privileges, out-of-state permits, and out-of-state exemptions.** An individual with a practice privilege who engages in the practice of public accounting in the state under the practice privilege, a legal entity with a permit or exemption under AS 08.04.421 who engages in the practice of public accounting in this state under the permit or exemption, and a legal entity that hires an individual with a practice privilege

(1) consent to the personal and subject matter jurisdiction and disciplinary authority of the board;

(2) agree to comply with this chapter, including the regulations adopted by the board;

(3) agree that the individual or legal entity will stop offering to engage or engaging in the practice of public accounting, whether individually or and on behalf of a legal entity, if the license from the state of the individual's or legal entity's principal place of business becomes invalid; and

(4) consent to the appointment of the state board that issued the individual's license as the individual's or legal entity's agent for service of process in a court action or in another proceeding against the individual or legal entity that arises out of a transaction or an operation connected with or incidental to the individual's or legal entity's engagement in the practice of public accounting.

\* **Sec. 17.** AS 08.04.440 is amended to read:

**Sec. 08.04.440. Effect of failure to obtain license or [,] permit [, OR PRACTICE PRIVILEGE].** Failure of an individual, partnership, limited liability company, corporation, or other legal entity to apply for a [THE] required license or [,] permit [, OR PRACTICE PRIVILEGE] or to pay a [THE] required fee within (1) three years from the expiration date of the license or [,] permit [, OR PRACTICE

PRIVILEGE] last obtained or renewed, or (2) three years from the date the person was granted a license or permit as a public accountant valid under AS 08.04.661 deprives the individual, partnership, limited liability company, corporation, or other legal entity of the right to a license or [,] permit [, OR PRACTICE PRIVILEGE] or renewal of a license or [,] permit [, OR PRACTICE PRIVILEGE] unless the board determines that the failure is excusable. In case of excusable failure, the fee for a license or [,] permit [, OR PRACTICE PRIVILEGE] or renewal of a license or [,] permit [, OR PRACTICE PRIVILEGE] under this section may not exceed three times one year's portion of the fee that would have otherwise been required for the license, permit, [OR PRACTICE PRIVILEGE,] or renewal.

\* **Sec. 18.** AS 08.04.450 is amended to read:

**Sec. 08.04.450. Revocation or suspension of license, practice privilege, [OR] permit, or out-of-state exemption.** In addition to its powers under AS 08.01.075, the board may revoke, suspend, or refuse to renew a license, practice privilege, [OR] permit, or out-of-state exemption, or may censure a holder of a license, practice privilege, [OR] permit, or out-of-state exemption, for

(1) fraud or deceit in obtaining a license [, PRACTICE PRIVILEGE,] or permit required by this chapter;

(2) dishonesty or gross negligence in the practice of public accounting, or other acts discreditable to the accounting profession;

(3) violation of a provision of AS 08.04.500 - 08.04.610 or failure to take corrective action to comply with AS 08.04.240(i) within the time allowed under AS 08.04.240(j);

(4) violation of a rule of professional conduct or other regulation adopted by the board;

(5) conviction of a felony under the laws of any state or of the United States;

(6) conviction of any crime, an essential element of which is dishonesty or fraud, under the laws of any state or of the United States;

(7) cancellation, revocation, suspension, or refusal to renew authority to practice as a certified public accountant or public accountant in any other state for

any cause other than failure to pay a required fee;

(8) suspension or revocation of the right to practice before any state or federal agency;

(9) failure to satisfy the continuing education requirements prescribed by the board under AS 08.04.425, except as conditioned, relaxed, or suspended by the board under AS 08.04.425(c) and (d);

(10) failure to satisfactorily complete the supervision required by AS 08.04.423 or a quality review requirement under AS 08.04.426; or

(11) committing an act in another state for which the holder of the license, practice privilege, [OR] permit, or out-of-state exemption would be subject to discipline in the other [THIS] state.

\* **Sec. 19.** AS 08.04.450 is amended by adding a new subsection to read:

(b) The board shall investigate a complaint made by the board of accountancy, or other regulatory body for the practice of accounting, of another state.

\* **Sec. 20.** AS 08.04.490 is amended to read:

**Sec. 08.04.490. Reinstatement.** Upon application in writing and after a hearing, the board may issue a new license or allow a practice privilege to an individual whose license or practice privilege has been revoked, or may issue a new permit to a person whose permit has been revoked, or may modify the suspension of or may reissue any license, practice privilege, or permit to practice public accounting that has been revoked or suspended.

\* **Sec. 21.** AS 08.04.495 is amended to read:

**Sec. 08.04.495. Fees.** The department [DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT] shall set fees under AS 08.01.065 for examinations, reexaminations, permits, licenses, and practice privileges.

\* **Sec. 22.** AS 08.04.500(b) is amended to read:

(b) This section does not prohibit an individual in good standing in any state, including an individual acting as a sole practitioner in the individual's home state, holding a practice privilege under AS 08.04.420 from using the title "certified public accountant [.]" or another title allowed under (a) of this section.

\* **Sec. 23.** AS 08.04.505 is amended to read:

**Sec. 08.04.505. Issuance of reports.** Only a person who holds a valid license, practice privilege, [OR] permit, or out-of-state exemption [ISSUED UNDER THIS CHAPTER] may issue a report on financial statements of another person or governmental unit. This restriction does not apply to

(1) an officer, partner, member, or employee of a sole proprietorship, partnership, corporation, limited liability company, or other legal entity affixing that person's signature to a statement or report in reference to the financial affairs of the sole proprietorship, partnership, corporation, limited liability company, or other legal entity with wording designating the position, title, or office that the person holds in the sole proprietorship, partnership, corporation, limited liability company, or other legal entity;

(2) an act of a public official or employee in the performance of official duties;

(3) the performance by persons of other services involving the use of accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports on them.

\* **Sec. 24.** AS 08.04.510 is amended to read:

**Sec. 08.04.510. Partnership, limited liability company, corporation, or other legal entity posing as a certified public accountant.** (a) A partnership, limited liability company, corporation, or other legal entity may not assume or use the title or designation "certified public accountant" or the abbreviation "CPA" or any other title, designation, word, letter, abbreviation, sign, card, or device tending to indicate that it is composed of certified public accountants, unless the partnership, limited liability company, corporation, or other legal entity holds a permit or an out-of-state exemption and is engaging in the practice of public accounting under the name on its permit, and its offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

(b) A partnership, limited liability company, corporation, or other legal entity consisting of certified public accountants in good standing in any state, that does not

1 have a permit as a partnership, limited liability company, corporation, or other legal  
2 entity consisting of certified public accountants under AS 08.04.240 but holds a permit  
3 **under AS 08.04.421 or out-of-state exemption** [UNDER AS 08.04.420], may use the  
4 title or designation "certified public accountants [.]" **or another title permitted under**  
5 **(a) of this section.**

6 \* **Sec. 25.** AS 08.04.520 is amended to read:

7 **Sec. 08.04.520. Individual posing as public accountant.** An individual may  
8 not assume or use the title or designation "public accountant" or the abbreviation "PA"  
9 or other title, designation, word, letter, abbreviation, sign, card, or device tending to  
10 indicate that the individual is a public accountant, unless the individual holds a current  
11 license **or** [,] practice privilege [, OR PERMIT] and the individual's offices in this  
12 state for the practice of public accounting are maintained as required by AS 08.04.360  
13 - 08.04.380.

14 \* **Sec. 26.** AS 08.04.530 is amended to read:

15 **Sec. 08.04.530. Partnership, limited liability company, or corporation**  
16 **posing as public accountant.** A partnership, limited liability company, or corporation  
17 may not assume or use the designation "public accountant" or the abbreviation "PA"  
18 or any other title, designation, word, letter, abbreviation, sign, card, or device tending  
19 to indicate that the partnership, limited liability company, or corporation is composed  
20 of public accountants, unless the partnership, limited liability company, or corporation  
21 holds a current permit **or out-of-state exemption,** and, **if it has a permit,** is practicing  
22 under the name on its permit, and its office in this state for the practice of public  
23 accounting is maintained as required by AS 08.04.360 - 08.04.380.

24 \* **Sec. 27.** AS 08.04.540 is amended to read:

25 **Sec. 08.04.540. Use of deceptive title or abbreviation.** An individual,  
26 partnership, limited liability company, corporation, or other **legal** entity may not  
27 assume or use the title or designation "certified accountant," "chartered accountant,"  
28 "enrolled accountant," "licensed accountant," "registered accountant," or any other  
29 title or designation likely to be confused with "certified public accountant" or "public  
30 accountant," or any of the abbreviations "C," "EA," "LA," "RA," or similar  
31 abbreviations likely to be confused with "CPA" or "PA" except that "EA" may be used

to the extent that it relates to the term "enrolled agent" as defined by the federal Internal Revenue Service; however, an individual, partnership, limited liability company, corporation, or other legal entity holding a current license or permit or an out-of-state exemption [, PERMIT UNDER AS 08.04.240,] or practice privilege, and whose offices in this state for the practice of public accounting, if any, are maintained as required by AS 08.04.360 - 08.04.380 may hold out to the public as an accountant or auditor.

\* **Sec. 28.** AS 08.04.560 is amended to read:

**Sec. 08.04.560. Individual may not assume title.** An individual may not sign or affix any name or any trade or assumed name used by that individual to any accounting or financial statement or opinion or report on any accounting or financial statement with any wording indicating that the person is a certified public accountant or public accountant or with any wording indicating that the person has expert knowledge in accounting or auditing, unless the individual holds a current license or practice privilege and the individual's offices in this state, if any, for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

\* **Sec. 29.** AS 08.04.580 is amended to read:

**Sec. 08.04.580. Partnership posing as accountants or auditors.** A person may not sign or affix a partnership name to any accounting or financial statement or opinion or report on any accounting or financial statement with any wording indicating that it is a partnership composed of certified public accountants or public accountants or with any wording indicating that the partnership has expert knowledge in accounting or auditing unless the partnership holds a current permit and is practicing under the name on its permit, and its offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless the partnership holds an out-of-state exemption.

\* **Sec. 30.** AS 08.04.590 is amended to read:

**Sec. 08.04.590. Use of title with corporate name.** A person may not sign or affix a corporate name to any accounting or financial statement or opinion or report on any accounting or financial statement with any wording indicating that it is a corporation composed of certified public accountants or public accountants or with

any wording indicating that the corporation has expert knowledge in accounting or auditing unless the corporation holds a current permit, it is practicing under the name on the permit, and its offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless the corporation holds an out-of-state exemption.

\* **Sec. 31.** AS 08.04.595 is amended to read:

**Sec. 08.04.595. Use of title with limited liability company name.** A person may not sign or affix a limited liability company name to an accounting or financial statement or opinion or report on an accounting or financial statement with wording indicating that the person is a limited liability company composed of certified public accountants or public accountants or with wording indicating that the company has expert knowledge in accounting or auditing unless the company holds a current permit, it is practicing under the name on the permit, and its offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless the limited liability company holds an out-of-state exemption.

\* **Sec. 32.** AS 08.04.598 is amended to read:

**Sec. 08.04.598. Use of title with name of other legal entity.** A person may not sign or affix the name of a legal [AN] entity to an accounting or financial statement or opinion or report on an accounting or financial statement with wording indicating that the person is a legal entity composed of certified public accountants or public accountants or with wording indicating that the legal entity has expert knowledge in accounting or auditing unless the legal entity holds a current permit, it is practicing under the name on the permit, and its offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless the legal entity holds an out-of-state exemption.

\* **Sec. 33.** AS 08.04.600 is amended to read:

**Sec. 08.04.600. Disclosure of lack of license or permit.** An individual, partnership, limited liability company, corporation, or other entity that does not hold a current license, a current practice privilege, [OR] a current permit, or a current out-of-state exemption, may not hold out to the public as a certified public accountant or public accountant by use of such words or abbreviations on any sign, card, letterhead,



or in any advertisement or directory, without indicating that the individual, partnership, limited liability company, corporation, or other entity does not hold a current license, a current practice privilege, or a current permit. This section does not prohibit

(1) an officer, employee, partner, member, or principal of an organization from self-description through the position, title, or office that the person holds in the organization;

(2) an act of a public official or public employee in the performance of that individual's duties; or

(3) a person from maintaining a bookkeeping or tax service.

\* **Sec. 34.** AS 08.04.610 is amended to read:

**Sec. 08.04.610. Deceptive use of title or designation by partnership, limited liability company, corporation, or other legal entity.** A person may not assume or use the title or designation "certified public accountant" or "public accountant" or an abbreviation of them, in conjunction with a name indicating or implying that there is a partnership, limited liability company, corporation, or other entity, or in conjunction with the designation "and Company," "and Co.," "L.L.C.," "LLC," "Ltd.," or any similar designation unless there is a bona fide partnership, limited liability company, corporation, [OR] other legal entity holding a permit issued under that name, or a current out-of-state exemption. However, a sole proprietor or partnership lawfully using the title or designation "certified public accountant" or "public accountant" or an abbreviation of them in conjunction with such names or designation on April 26, 1960, may continue to do so if the person or partnership otherwise complies with this chapter.

\* **Sec. 35.** AS 08.04.620 is amended to read:

**Sec. 08.04.620. Exceptions.** This chapter does not prohibit

(1) an individual who does not hold a current license or practice privilege from serving as an employee of or as an assistant to an individual, partnership, limited liability company, corporation, or other legal entity holding a current license, a current practice privilege, [OR] a current permit, or a current out-of-state exemption so long as the employee or assistant does not use the employee's

or the assistant's name in connection with an accounting or financial statement;

(2) an individual who holds a valid license or equivalent authorization in another state from indicating that the individual is entitled to use the title "certified public accountant," but the individual may not indicate that services are available to the public unless the individual holds a current license or practice privilege issued under this chapter;

(3) a holder of a certificate, license, or degree from a foreign country that constitutes a recognized qualification for the practice of public accounting in that country from indicating that the person holds the certificate, license, or degree, but the person may not indicate that the person's services are available to the public unless the person holds a current license, practice privilege, [OR] permit, or out-of-state exemption [ISSUED] under this chapter.

\* **Sec. 36.** AS 08.04.662(a) is amended to read:

(a) A license holder, a permit holder, a practice privilege holder, an out-of-state exemption holder, or a partner, an officer, a shareholder, a member, or an employee of a license holder, a permit holder, an out-of-state exemption holder, or a practice privilege holder, may not reveal information communicated to the license holder, permit holder, out-of-state exemption holder, or practice privilege holder by a client about a matter concerning which the client has employed the license holder, permit holder, out-of-state exemption holder, or practice privilege holder in a professional capacity. This section does not apply to

(1) information required to be disclosed by the standards of the public accounting profession in reporting on the examination of financial statements;

(2) the release of information the client has authorized the license holder, permit holder, out-of-state exemption holder, or practice privilege holder to reveal;

(3) information revealed as part of the discovery of evidence related to a court or administrative proceeding or introduced in evidence in a court or administrative proceeding;

(4) information revealed in ethical investigations conducted by private professional organizations; or

(5) information revealed in the course of a quality review under AS 08.04.426.

\* **Sec. 37.** AS 08.04.680(1) is repealed and reenacted to read:

(1) "attest function" means

(A) an audit or other engagement, if the performance of the audit or other engagement is established by the Statements on Auditing Standards;

(B) a review of a financial statement, if the performance of the review is established by the Statements on Standards for Accounting and Review Services;

(C) an examination of prospective financial information, if the performance of the examination is established by the Statements on Standards for Attestation Engagements; or

(D) an engagement, if the performance of the engagement is established by the Auditing Standards of the Public Company Accounting Oversight Board;

\* **Sec. 38.** AS 08.04.680(9) is amended to read:

(9) "permit" means a permit issued under AS 08.04.240 or 08.04.421(a) [AS 08.04.240 OR 08.04.420];

\* **Sec. 39.** AS 08.04.680(12) is repealed and reenacted to read:

(12) "principal place of business" means the office location designated by an individual for the purposes of substantial equivalency and reciprocity;

\* **Sec. 40.** AS 08.04.680(14) is amended to read:

(14) "report," when used with reference to financial statements, means an opinion, report, or other form of language that states or implies assurance as to the reliability of financial statements and that also includes or is accompanied by a statement or implication that the person issuing it has special knowledge or competency in accounting or auditing; a statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the issuer is a certified public accountant or auditor, or from the language of the report itself; except as provided in this paragraph, "report" includes

any form of language that disclaims an opinion when the form of the language is conventionally understood to imply a positive assurance as to the reliability of the financial statements referred to or special competence on the part of the person issuing the language; and "report" includes any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence; "report" does not include

(A) a compilation of financial statement language that does not express or imply assurance or special knowledge or competence; or

(B) the following disclaimer language when used by **a person without a license, a practice privilege, or an out-of-state exemption** [NONLICENSEES] in connection with financial statements:

(i) "I (we) have prepared the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended. This presentation is limited to preparing, in the form of financial statements, information that is the representation of management (owners)."; or

(ii) "I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.";

\* **Sec. 41.** AS 08.04.680 is amended by adding new paragraphs to read:

(16) "compilation service" means a service that

(A) is performed as established by the Statements on Standards for Accounting and Review Services; and

(B) presents, in the form of financial statements, information that is the representation of management, but does not express an assurance on the statements;

(17) "department" means the Department of Commerce, Community, and Economic Development;

(18) "designated function" means

(A) an audit or other engagement, if the performance of the audit or other engagement is established by the Statements on Auditing

Standards;

(B) an examination of prospective financial information, if the performance of the examination is established by the Statements on Standards for Attestation Engagements; or

(C) an engagement, if the performance of the engagement is established by the Auditing Standards of the Public Company Accounting Oversight Board;

(19) "home office" means the location specified by the client as the address to which an attest function service or a compilation service is directed;

(20) "out-of-state exemption" means the exemption provided under AS 08.04.421(b) or (c).

\* **Sec. 42.** AS 08.04.085 is repealed.

\* **Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITIONAL PROVISION: REGULATIONS. The Board of Public Accountancy created under AS 08.04.010 may proceed to adopt regulations necessary to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of secs. 1 - 42 of this Act.

\* **Sec. 44.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITIONAL PROVISION: EFFECT ON CURRENT PERMITTEES AND PRACTICE PRIVILEGE HOLDERS. (a) On and after January 1, 2011, a person who holds a permit or practice privilege on January 1, 2011, may continue to engage in the practice of public accounting under the permit or practice privilege until the permit or practice privilege expires normally under AS 08.04, as AS 08.04 existed before January 1, 2011, but shall otherwise comply with AS 08.04, as amended by this Act.

(b) In this section,

(1) "permit" means a permit issued under AS 08.04.240, as that section existed before January 1, 2011, or AS 08.04.420, as that section existed before January 1, 2011;

(2) "practice of public accounting" has the meaning given in AS 08.04.680;

(3) "practice privilege" means a practice privilege authorized under

- 1 AS 08.04.420, as that section existed before January 1, 2011.
- 2 \* **Sec. 45.** Section 43 of this Act takes effect immediately under AS 01.10.070(c).
- 3 \* **Sec. 46.** Except as provided in sec. 45 of this Act, this Act takes effect January 1, 2011.