

CS FOR SENATE BILL NO. 305(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 3/25/96

Referred: Rules

Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the regulation of accountants; and amending the effective
2 date for sec. 6, ch. 62, SLA 1991."

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

4 * **Section 1.** AS 08.04 is amended by adding a new section to read:

5 Sec. 08.04.195. RECIPROCITY WITH OTHER JURISDICTIONS. (a)

6 Notwithstanding AS 08.04.100 - 08.04.130, the board may issue a certificate to an
7 applicant who holds a certificate, or its equivalent, issued by another jurisdiction if
8 the applicant

9 (1) passed the uniform certified public accountant examination given
10 by the other jurisdiction in order to receive the applicant's initial certificate from the
11 jurisdiction;

12 (2) has five years of experience outside the state in the practice of
13 public accounting or meets equivalent requirements established by the board by
14 regulation; the five years must occur after the applicant passes the examination

required in (1) of this subsection and within the 10 years immediately preceding the applicant's application under this chapter;

(3) is not the subject of review procedures, disciplinary proceedings, or unresolved complaints related to the applicant's certificate from another jurisdiction; and

(4) is of good moral character.

(b) An applicant for the initial issuance of a certificate under this section shall list in the application all states where the applicant has applied for or holds a certificate, or its equivalent, and shall notify the board in writing within 30 days after a denial, revocation, or suspension of a certificate, or its equivalent, by another jurisdiction.

(c) The board may by regulation establish the education and continuing education requirements for the issuance of a certificate under this section.

* **Sec. 2.** AS 08.04.240(c) is amended to read:

(c) Application for registration 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. The board shall in each case determine whether the applicant is eligible for registration. A partnership, limited liability company, or corporation that is so registered and that holds a permit issued under AS 08.04.400 may use the words "certified public accountants" or the abbreviation "CPAs" in connection with its partnership, limited liability company, or corporate name. Notification shall be given the board within one month after the admission or withdrawal of a partner, member, or shareholder from a partnership, limited liability company, or corporation registered under this section.

* **Sec. 3.** AS 08.04.240 is amended by adding a new subsection to read:

(d) A limited liability company engaged in this state in the practice of public accounting may register with 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) at least one member is a certified public accountant of this state in good standing;

(3) each member of the company is a certified public accountant in good standing of this or another state of the United States; and

(4) except as otherwise provided in this chapter, each resident manager in charge of an office of the company in this state and each member personally engaged in this state in the practice of public accounting are certified public accountants of this state in good standing.

* **Sec. 4.** AS 08.04.360 is amended to read:

Sec. 08.04.360. SUPERVISION REQUIRED. Each office established or maintained in this state for the practice of public accounting shall be under the direct supervision of a person in residence who holds a permit under AS 08.04.390 - 08.04.440. The supervisor may be either a sole proprietor, partner, principal, member, or staff employee. A supervisor may serve in this capacity at one office only.

* **Sec. 5.** 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)(3), [AND] (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 firm opening or maintaining the office maintains another office in the state that meets the requirements outlined in AS 08.04.360 and 08.04.370.

* **Sec. 6.** AS 08.04.400 is amended to read:

Sec. 08.04.400. PERMIT FOR PARTNERSHIP, LIMITED LIABILITY COMPANY, OR CORPORATE PRACTICE AS A PUBLIC ACCOUNTANT. The board shall issue a permit to engage in the practice of public accounting as a partnership, limited liability company, or [AS A] corporation to a partnership, limited liability company, or corporation registered under AS 08.04.240. The permit is valid for two years. A permit is valid only for practice under the registered name of the partnership, limited liability company, or corporation. A partnership registered under former AS 08.04.330 - 08.04.340 on June 29, 1980, qualifies for a permit under this

section as long as each partner personally engaged in the practice of public accounting in this state holds a license or permit under AS 08.04.661.

* **Sec. 7.** AS 08.04.420 is amended to read:

Sec. 08.04.420. PERMIT FOR GENERAL PRACTICE AS A CERTIFIED PUBLIC ACCOUNTANT. A certified public accountant, or a partnership, **limited liability company**, or corporation of certified public accountants in good standing in a state, not holding a permit under AS 08.04.390 or 08.04.400 **or** [NOR] maintaining an office in this state but engaging in the practice of public accounting in this state, shall apply to the board for a permit to practice. The board shall determine whether the applicant is eligible for the permit.

* **Sec. 8.** AS 08.04.440 is amended to read:

Sec. 08.04.440. EFFECT OF FAILURE TO OBTAIN PERMIT. Failure of **an individual** [A PERSON], partnership, **limited liability company**, or corporation to apply for the annual permit to practice or to pay the annual fee within (1) three years from the expiration date of the permit to practice or annual registration last obtained or renewed, or (2) three years from the date upon which the certificate holder or licensee was granted a certificate as a certified public accountant or license as a public accountant valid under AS 08.04.661 deprives the **individual** [PERSON], partnership, **limited liability company**, or corporation of the right to a permit or annual registration or renewal of a permit, unless the board determines that the failure is excusable. In case of excusable failure, the fee may not exceed three times the annual fee.

* **Sec. 9.** AS 08.04.470 is amended to read:

Sec. 08.04.470. REVOCATION OR SUSPENSION OF PARTNERSHIP, **LIMITED LIABILITY COMPANY**, OR CORPORATE REGISTRATION OR PERMIT. The board shall revoke the registration and permit to practice of a partnership, **limited liability company**, or corporation if at any time it does not meet the qualifications prescribed by the sections of this chapter under which it qualified for registration.

* **Sec. 10.** AS 08.04.480 is amended to read:

Sec. 08.04.480. GROUNDS FOR REVOCATION OR SUSPENSION OF PARTNERSHIP, **LIMITED LIABILITY COMPANY**, OR CORPORATE PERMIT.

1 The board may revoke or suspend the registration and permit to practice of a
2 partnership, limited liability company, or corporation, may revoke, suspend, or refuse
3 to renew its permit to practice or may censure the partnership, limited liability
4 company, or corporation for any of the causes enumerated in AS 08.04.450 and
5 08.04.460, or for any of the following additional causes:

6 (1) the revocation or suspension of the certificate, license, or
7 registration of any partner, member, or shareholder;

8 (2) the revocation, suspension, or refusal to renew the permit to practice
9 of any partner, member, or shareholder;

10 (3) the cancellation, revocation, suspension, or refusal to renew the
11 authority of the partnership or any partner, the limited liability company or a
12 member, or the corporation or a shareholder to practice public accounting in any other
13 state for any cause other than failure to pay an annual registration fee in that state.

14 * **Sec. 11.** AS 08.04.505 is amended to read:

15 Sec. 08.04.505. ISSUANCE OF REPORTS. Only a person or firm that holds
16 a valid permit issued under this chapter may issue a report on financial statements of
17 another person, firm, organization, or governmental unit. This restriction does not
18 apply to

19 (1) an officer, partner, member, or employee of a firm or organization
20 affixing that person's signature to a statement or report in reference to the financial
21 affairs of the firm or organization with wording designating the position, title, or office
22 that the person holds in the firm or organization;

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

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

29 * **Sec. 12.** AS 08.04.510 is amended to read:

30 Sec. 08.04.510. PARTNERSHIP, LIMITED LIABILITY COMPANY, OR
31 CORPORATION POSING AS A CERTIFIED PUBLIC ACCOUNTANT. (a) A

partnership, limited liability company, or corporation 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, or corporation is registered and holds a live permit, is practicing under its registered name, 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, or corporation of certified public accountants in good standing in any state, not registered as a partnership, limited liability company, or corporation of certified public accountants under AS 08.04.240 but holding a permit under AS 08.04.420, may use the title or designation "certified public accountants."

* **Sec. 13.** AS 08.04.530 is amended to read:

Sec. 08.04.530. PARTNERSHIP, LIMITED LIABILITY COMPANY, OR CORPORATION POSING AS PUBLIC ACCOUNTANT. A partnership, limited liability company, or corporation may not assume or use the designation "public accountant" or the abbreviation "PA" or any other title, designation, word, letter, abbreviation, sign, card, or device tending to indicate that the partnership, limited liability company, or corporation is composed of public accountants, unless the partnership, limited liability company, or corporation holds a live permit, is practicing under its registered name, and its office in this state for the practice of public accounting is maintained as required by AS 08.04.360 - 08.04.380.

* **Sec. 14.** AS 08.04.540 is amended to read:

Sec. 08.04.540. USE OF DECEPTIVE TITLE OR ABBREVIATION. An individual [A PERSON], partnership, limited liability company, or corporation may not assume or use the title or designation "certified accountant", "chartered accountant", "enrolled accountant", "licensed accountant", "registered accountant", or any other title or designation likely to be confused with "certified public accountant" or "public accountant", or any of the abbreviations "CA", "EA", "LA", "RA", or similar abbreviations likely to be confused with "CPA" or "PA"; however, an individual [A PERSON], partnership, limited liability company, or corporation

1 holding a live permit and whose offices in this state for the practice of public
2 accounting are maintained as required by AS 08.04.360 - 08.04.380 may hold out to
3 the public as an accountant or auditor.

4 * **Sec. 15.** AS 08.04.570 is amended to read:

5 Sec. 08.04.570. ACTS NOT PROHIBITED. AS 08.04.560 does not prohibit

6 (1) an officer, employee, partner, **member**, or principal of any
7 organization from affixing that person's signature to any statement or report in
8 reference to the financial affairs of the organization together with any wording
9 designating the position, title, or office which that person holds;

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

12 (3) a person maintaining a bookkeeping or tax service from affixing
13 that person's signature to any record, statement, or report maintained or prepared by
14 the person.

15 * **Sec. 16.** AS 08.04 is amended by adding a new section to read:

16 Sec. 08.04.595. USE OF TITLE WITH LIMITED LIABILITY COMPANY

17 NAME. A person may not sign or affix a limited liability company name to an
18 accounting or financial statement, or opinion or report on an accounting or financial
19 statement, with wording indicating that the person is a limited liability company
20 composed of certified public accountants or public accountants or with wording
21 indicating that the company has expert knowledge in accounting or auditing unless the
22 company holds a live permit, is practicing under its registered name, and its offices in
23 this state for the practice of public accounting are maintained as required by
24 AS 08.04.360 - 08.04.380.

25 * **Sec. 17.** AS 08.04.600 is amended to read:

26 Sec. 08.04.600. DISCLOSURE OF LACK OF PERMIT. **An individual** [A

27 PERSON], partnership, **limited liability company**, or corporation that does not hold
28 a live permit may not hold out to the public as a certified public accountant or public
29 accountant by use of such words or abbreviations on any sign, card, letterhead, or in
30 any advertisement or directory, without indicating that the **individual** [PERSON],
31 partnership, **limited liability company**, or corporation does not hold a permit. This

1 section does not prohibit

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

5 (2) an act of a public official or public employee in the performance
6 of that **individual's** [PERSON'S] duties; [,] or

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

8 * **Sec. 18.** AS 08.04.610 is amended to read:

9 Sec. 08.04.610. DECEPTIVE USE OF PARTNERSHIP, **LIMITED**
10 **LIABILITY COMPANY**, OR CORPORATION TITLE. A person may not assume
11 or use the title or designation "certified public accountant" or "public accountant" or
12 an abbreviation of them, in conjunction with a name indicating or implying that there
13 is a partnership, **limited liability company**, or corporation, or in conjunction with the
14 designation "and Company," [OR] "and Co.," "**L.L.C.**," "**LLC**," "**Ltd.**," or any
15 similar designation unless there is a bona fide partnership, **limited liability company**,
16 or corporation registered under that name. However, a sole proprietor or partnership
17 lawfully using the title or designation "certified public accountant" or "public
18 accountant" or an abbreviation of them in conjunction with such names or designation
19 on April 26, 1960, may continue to do so if the person or partnership otherwise
20 complies with this chapter.

21 * **Sec. 19.** AS 08.04.620 is amended to read:

22 Sec. 08.04.620. EXCEPTIONS. This chapter does not prohibit

23 (1) a person not a certified public accountant or public accountant from
24 serving as an employee of or as an assistant to **an individual** [A PERSON],
25 partnership, **limited liability company**, or corporation holding a live permit so long
26 as the employee or assistant does not use the employee's or the assistant's name in
27 connection with an accounting or financial statement;

28 (2) a certified public accountant or public accountant from indicating
29 that the certified public accountant or public accountant holds a certificate or license
30 entitling the certified public accountant or public accountant to that designation if the
31 certified public accountant or public accountant holds a valid certificate or license in

any state, but the person may not indicate that services are available to the public unless the certified public accountant or public accountant holds a live permit issued under this chapter;

(3) a holder of a certificate, license, or degree from a foreign country which 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 live permit issued under this chapter.

* **Sec. 20.** AS 08.04.662(a) is amended to read:

(a) A licensee, or a partner, officer, shareholder, member, or employee of a licensee, may not reveal information communicated to the licensee by a client about a matter concerning which the client has employed the licensee in a professional capacity. This section does not apply to

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

(2) the release of information the client has authorized the licensee 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. 21.** AS 08.04.680 is amended by adding new paragraphs to read:

(7) "limited liability company" means an organization organized under AS 10.50 or a foreign limited liability company; in this paragraph, "foreign limited liability company" has the meaning given in AS 10.50.990;

(8) "member" means a person who has been admitted to membership in a limited liability company.

* **Sec. 22.** Section 6, ch. 62, SLA 1991, is repealed and reenacted to read:

1 Sec. 6. AS 08.04.120 is repealed and reenacted to read:

2 Sec. 08.04.120. EDUCATIONAL AND EXPERIENCE REQUIREMENTS.

3 (a) The education and experience requirements for an applicant are as follows:

4 (1) a baccalaureate degree or its equivalent conferred by a college or
5 university acceptable to the board and additional semester hours or post-baccalaureate
6 study so that the total educational program includes at least 150 hours, with an
7 accounting concentration or equivalent as determined by the board by regulation to be
8 appropriate, and two years of accounting experience satisfactory to the board; or

9 (2) a baccalaureate degree or its equivalent conferred by a college or
10 university acceptable to the board and additional semester hours or post-baccalaureate
11 study so that the total educational program includes at least 150 hours, and three years
12 of accounting experience satisfactory to the board.

13 (b) Notwithstanding (a) of this section, the board may grant a certificate to an
14 applicant who has not completed the 150-hour educational program required by (a) of
15 this section if the applicant has received a baccalaureate degree, or its equivalent,
16 before January 1, 2001, from a college or university acceptable to the board, and if the
17 applicant satisfies the other criteria established by the board by regulation for receiving
18 the certificate.

19 * **Sec. 23.** Section, 21, ch. 62, SLA 1991, is amended to read:

20 Sec. 21. Section 6 of this Act takes effect January 1, 2001 [SEPTEMBER 1,
21 1997].