

ALASKA STATE LEGISLATURE

Session:

**State Capitol Building
Juneau, Alaska 99801-2186
Phone (907) 465-3004
Toll Free: (877) 465-3004**



Interim:

**1292 Sadler Way
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Toll Free: (877) 465-3004**

REPRESENTATIVE STEVE THOMPSON **House District 2**

Sectional Analysis

CSHB 44 (STA) (32-LS0302\I)- Practice of Accounting; Licensure

- Section 1.** AS 08.04.020(b) **Appointment and qualifications of board.** Revises the qualifications for public members for board appointments by deleting “out-of-state exemption” license holders.
- Section 2.** AS 08.04.100 **Certificate granted.** Eliminates “out-of-state exemption” and “practice privilege” from those certificate holders who are not authorized to engage in the practice of public accounting without a current license or permit.
- Section 3.** Amends AS 08.04.105 (b) **License for individual to practice as a public accountant.** The individual requirements for the board to renew a license granted in this section are amended by deleting reference to repealed statutes [AS 08.04.360-AS 08.04.380] and inserts statutes [AS 08.04.360 and AS 08.04.370]. Substitutes the word “peer” review for “quality” review.
- Section 4.** AS 08.195(d) **License for individual to practice as a public accountant.** Deletes references to repealed statutes [AS

08.04.360-AS 08.04.380] and inserts revised statutes [AS 08.04.360 and AS 08.04.370].

Section 5. AS 08.04.240(a)(1-4) **Application of partnerships, limited liability companies, corporations, and other legal entities for permits.**– Replaces the phrase “as a partnership to a partnership” to “a firm with an office in the state”. Replaces the term “partnership” with the term “firm”. The term “partner” is replaced with the term “owner” as relates to the board or an individual who is engaged in the practice of public accounting.

Section 6. AS 08.04.240(f) References a new subsection (k) to the list in which initial permits can be issued and deletes subsections (b), (d), and (e).

Section 7. AS 08.04.240(g) References subsection (k) and deletes (b), (d), or (e) for a permit renewal. Deletes references to repealed statutes [AS 08.04.360-AS 08.04.380] and inserts revised statutes [AS 08.04.360 and AS 08.04.370]. Substitutes the term “peer” for “quality” review and deletes specific competency requirements.

Section 8. AS 08.04.240(i) Replaces the terms “partnership, corporation, limited liability company or other legal entity” with the term “firm”.

Section 9. AS 08.04.240.(j) Replaces the terms “partnership, corporation, limited liability company or other legal entity” with the term “firm”.

Section 10. AS 08.04.240 Adds a new subsection (k) that mandates that the board shall grant a permit to engage in the practice of public accounting to a firm that does not have an office in the state but offers or provides attest functions in the state. The permit shall be granted If the firm applies to the board as a firm of certified public accountants and meets the requirements as set out in AS 08.04.240(k)(1-4).

Section 11. AS 08.04.360 **Supervision required.** Deletes the requirement of “in residence” for an individual who holds a license as a

supervisor. Deletes the phrase “practice privilege” and inserts the phrase a license “issued under this chapter”. Adds that a supervisor may serve for each office in the state that is maintained by a firm.

Section 12. AS 08.04.370 **Use of title “certified public accountant” by office of “firm”**. Replaces the term “legal entity” with the term “firm”. Deletes “out-of-state exemption” as a permit holder.

Section 13. AS 08.04.420(a) **Practice privileges**. Deletes subsection (b) as an exception to the requirements for licensure (repealed).

Section 14. AS 08.04.420(c) **Practice privileges**. Deletes subsection (b) as a requirement for engaging in the practice of public accounting in this state (repealed).

Section 15. AS 08.04.422 **Conditions of Practice Privileges**. Deletes “out-of-state permits and out-of-state exemptions” as conditions for practice privileges. Substitutes the term “firm” for “legal entity”. Removes the phrases “exemption under AS 08.04.421, and “under the permit exemption” as that statute is repealed.

Section 16. AS 08.04.426(a) **Quality review**. Adds that the board may require that an applicant who is seeking a license renewal or permit “provide evidence of enrollment in” a peer review program approved by the board by regulation. Deletes the term “quality” review and inserts the term “peer” review. Substitutes the phrase “program approved” for the phrase “conducted as required”.

Section 17. AS 08.04.426(c) **Quality review**. References new subsection “(f)” which directs that the Board shall require a peer review of a firm that has in its employ an applicant scheduled for renewal of a permit in that firm. *[See Section 19. New subsection on (f)].

Section 18. AS 08.04.426(d) **Quality review**. References new subsection “(f)” for the Board’s quality review regulations. Amends Section AS. 08.04.426(d)(1-3) by replacing the term “quality” review with the term “peer” review. Deletes the phrase “quality

reviews” and inserts the phrase “administration of a peer review”. The term “oversight” replaces the term “supervision”. Deletes the term “operated” and replaces it with “performed”. Amends Section 08.04.426(d)(4) by striking current text and replacing it with text to clarify that organizations who administer peer review programs must provide information requested by the board.

Section 19. AS 08.04.426 **Quality review.** Adds a new subsection (f). This subsection sets the guidelines that the board must follow to conduct peer reviews by regulation.

Section 20. AS 08.04.440 **Effect of failure to obtain license or permit.** Deletes the terms “partnership”, “limited liability company”, “corporation”, “or other legal entity” and replaces them with the term “firm”. Deletes the paragraph that defines the calculated fee for penalty of an untimely renewal of license with the phrase “the department shall determine” the fee.

Section 21. AS 08.04.450(a) **Revocation or suspension of license, practice privilege permit.** Eliminates the “out-of-state exemption” license holder status. Adds a clause that the board may require peer reviews or continuing education courses. Cleans up the language in this section by substituting “comply with the peer” review for the phrase “satisfactorily complete a quality” review. Deletes the word “committing” an act and replaces with “commission of” an act. Adds subsections (12-15) as additional board findings for possible revocation or suspension of licenses.

Section 22. AS 08.04.450(c) **Revocation or suspension of license, practice privilege permit.** Adds a new subsection (c) that states that the board may hold a disciplined license holder to bear the costs of any disciplinary proceedings.

Section 23. AS 08.04.470 **Revocation of “firm” permit.** Deletes the terms “of partnership”, “limited liability company”, “corporation”, “or other legal entity”, and “it” and replaces the terms with the word “firm”.

- Section 24.** AS 08.04.480 **Grounds for censure of, or the revocation, suspension, or refusal to renew a permit for a “firm”.** Uses the term “firm” to replace the terms “of partnership”, “limited liability company”, “corporation”, “or other legal entity”. Amends AS 08.04.480(1) by adding the “refusal to renew” as an additional cause for suspension or revocation. Replaces the terms “a partner”, “a member”, “a shareholder”, “or if the permittee is a legal entity other than a partnership, corporation or limited liability company”, “an owner of the permittee” with the phrase “an owner of the firm in this state or in another state”. AS 08.04.480(3) adds refusal to renew the “permit or authority of the firm” to replace the terms cited above.
- Section 25.** AS 08.04.500(a) **Individual posing as a certified public accountant.** Delineates the statutes required to be met to use the CPA title. Specifically, AS 08.04.360 and AS 08.04.370.
- Section 26.** AS 08.04.505 **Issuance of reports.** Deletes the term “out-of-state exemption”. Replaces the term “financial statements” with on “behalf” of. Replaces the terms “sole proprietorship”, “partnership”, “corporation”, “limited liability company”, “or other legal entity” with the term “firm”.
- Section 27.** AS 08.04.510(a) **Partnership, limited liability company, corporation, or other legal entity posing as a certified public accountant.** Uses the term “firm” to replace “partnership”, “corporation”, “limited liability company”, “or other legal entity”.
- Section 28.** AS 08.04.520 **Individual posing as a public accountant.** Delineates the statutes that are required to be met to use the title of public accountant. Those statutes are AS 08.04.360 and AS 08.04.370. Deletes AS 08.04.380.
- Section 29.** AS 08.04.530 **“Firm” posing as a public accountant.** Replaces the terms “partnership”, “corporation”, “limited liability company”, “or other legal entity” with the term “firm”.
- Section 30.** AS 08.04.540 **Use of deceptive title or abbreviation.** Replaces the terms “partnership”, “corporation”, “limited liability

company”, “or other legal entity” with the term “firm”. Deletes the phrase “out-of-state exemption”. Delineates the statutes that are required to be met and maintained by individuals or firms whose offices are in this state. If requirements are met, they may use the titles public accountant or auditor. Those statutes are AS 08.04.360 and AS 08.04.370.

Section 31. AS 08.04.560 **Individual may not assume title.** Deletes the phrase “on any accounting or financial statement” as it relates to reports. Deletes the phrase that refers to individual’s offices in this state for the practice of public accounting.

Section 32. AS 08.04.565 **Prohibited acts.** Replaces the terms “partnership”, “corporation”, “limited liability company”, “or other business entity” with the term “firm”.

Section 33. AS 08.04.600 **Disclosure of lack of license or permit.** Replaces the terms “partnership”, “corporation”, “limited liability company”, “or other entity” with the term “firm”. Deletes “or a current out-of-state exemption” from the list of individuals or firms holding licenses, practice privileges or permits.

Section 34. AS 08.04.610 **Deceptive use of title or designation by “firm”.** Replaces the terms “partnership”, “corporation”, “limited liability company”, “or other legal entity” with the term “firm”. Deletes “or a current out-of-state exemption” as a holder of a permit.

Section 35. AS 08.04.620(1) **Exceptions.** Replaces terms “partnership”, “corporation”, “limited liability company”, “or other legal entity” with the term “firm”. Deletes the phrase “or a current out-of-state exemption so long as”. Amends AS 08.04.620(3) by inserting new language to describe the requirements that entitles a holder to a certificate, license, or degree from a foreign country. Deletes previous language used.

Section 36. AS 08.04.662(a) **Confidential communications.** Deletes “(an) out-of-state exemption holder”. Replaces the term “quality” review with “peer” review.

- Section 37.** AS 08.04.680(1)(E) **Definitions.** Adds a qualifier under the definition of attest function that clarifies accepted examinations.
- Section 38.** AS 08.04.680(4) **Definitions.** Clarifies the definition of “compilation service”. Deletes the subsection in AS 08.04.680(4)(B).
- Section 39.** AS 08.04.680(14) **Definitions.** Delineates AS 08.04.240 as the sole statute to issue a permit under; thereby deleting AS 08.04.421(a).
- Section 40.** AS 08.04.680(15) **Definitions.** Deletes the phrase “on financial statements” as pertains to issuing reports.
- Section 41.** AS 08.04.680(19) **Definitions.** Updates the definition of “report” to include an “attest function”. Amends AS 08.04.680(19)(A)(i) by adding the phrase “the attested information or compiled” to describe the financial statements. Amends AS 08.04.680(19)(B)(ii) by deleting “or an out-of-state exemption”.
- Section 42.** AS 08.04.680(20) **Definitions.** Adds clarifying language, “Commonwealth of the” Northern Mariana Islands.
- Section 43.** AS 08.04.680 **Definitions.** Adds new definitions for (21) “firm”, (22) “peer review” and (23) “preparation of financial statements”.
- Section 44.** Repeals statutes.