

HOUSE BILL NO. 44

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES THOMPSON, Kaufman, Schrage

Introduced: 2/18/21

Referred: State Affairs, Labor and Commerce

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the practice of accounting."**

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
7 under this chapter. Notwithstanding AS 08.01.025, an accountant who does not hold a
8 license under this chapter and is not engaged in the practice of public accounting in
9 violation of this chapter is eligible for appointment as a public member under this
10 section.

11 * **Sec. 2.** AS 08.04.100 is amended to read:

12 **Sec. 08.04.100. Certificate granted.** The certificate of "Certified Public
13 Accountant" shall be granted by the board to any person who meets the requirements
14 of AS 08.04.110 - 08.04.130. The holder of a certificate issued under this section is
15 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].

* **Sec. 3.** AS 08.04.105(b) is amended to read:

(b) The board may renew a license granted under this section if the licensee

(1) maintains all of the licensee's offices as required by AS 08.04.360 and 08.04.370 [AS 08.04.360 - 08.04.380];

(2) complies with the continuing education requirements of AS 08.04.425 and the peer [QUALITY] review requirements of AS 08.04.426; and

(3) complies with the requirements of this chapter.

* **Sec. 4.** AS 08.04.195(d) is amended to read:

(d) The board may renew a license issued under this section if the licensee

(1) maintains all of the licensee's offices as required by AS 08.04.360 and 08.04.370 [AS 08.04.360 - 08.04.380];

(2) complies with the continuing education requirements established under (c) of this section; and

(3) complies with the requirements of this chapter.

* **Sec. 5.** AS 08.04.240(a) is amended to read:

(a) The board shall grant a permit to engage in the practice of public accounting to a firm with an office in the state [AS A PARTNERSHIP TO A PARTNERSHIP] that applies to the board as a firm [PARTNERSHIP] of certified public accountants if the firm [PARTNERSHIP] meets the following requirements:

(1) more than one-half of the ownership of the firm [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 firm [PARTNERSHIP], and who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the firm [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 firm [PARTNERSHIP] meets the competency requirements established by the board under AS 08.04.423; and

(4) each **owner** [PARTNER] who is personally engaged in this state in the practice of public accounting as a member of **the firm** [THAT PARTNERSHIP] and whose principal place of business is in this state is a certified public accountant of this state in good standing.

* **Sec. 6.** AS 08.04.240(f) is amended to read:

(f) An initial permit issued under (a) **or (k)** [, (b), (d), OR (e)] of this section lasts for the remainder of the biennial licensing period during which the initial permit was granted.

* **Sec. 7.** AS 08.04.240(g) is amended to read:

(g) The board shall renew a permit granted under (a) **or (k)** [, (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 and 08.04.370** [AS 08.04.360 - 08.04.380];

(2) each individual who is required by (a) **or (k)** [, (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 **peer** [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. 8.** AS 08.04.240(i) is amended to read:

(i) For the purposes of issuing a permit under this section, a **firm** [PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER LEGAL ENTITY] may include owners who are not certified public accountants if

(1) the **firm** [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 **firm** [PARTNERSHIP, CORPORATION,

LIMITED LIABILITY COMPANY, OR OTHER LEGAL ENTITY] who are not certified public accountants are active individual participants in the firm [PARTNERSHIP, CORPORATION, LIMITED LIABILITY COMPANY, OR OTHER LEGAL ENTITY,] or in an entity affiliated with the firm [PARTNERSHIP, CORPORATION, LIMITED LIABILITY COMPANY, OR OTHER LEGAL ENTITY]; and

(3) the firm [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.

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

(j) If the ownership of a firm [PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER LEGAL ENTITY], after the firm [IT] has received or renewed a permit, does not comply with (i) of this section, the firm [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. 10.** AS 08.04.240 is amended by adding a new subsection to read:

(k) 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 provides, or offers to provide, attest functions in the state, if the firm applies to the board as a firm of certified public accountants and meets the following requirements:

- (1) the firm meets the requirements of (a)(1) of this section;
- (2) the firm complies with the requirements in AS 08.04.426;
- (3) the attest functions performed by the firm in the state are performed by an individual who is a certified public accountant of this state in good standing or who has a practice privilege; and
- (4) the firm holds a permit to engage in the practice of public accounting in good standing in the jurisdiction in which the principal office of the firm

1 is maintained.

2 * **Sec. 11.** AS 08.04.360 is amended to read:

3 **Sec. 08.04.360. Supervision required.** Each office established or maintained
4 in this state for the practice of public accounting shall be under the direct supervision
5 of an individual [IN RESIDENCE] who holds a license issued under this chapter
6 [OR A PRACTICE PRIVILEGE]. The supervisor may be a sole proprietor, partner,
7 principal, member, or staff employee. A supervisor may serve in this capacity **for**
8 **each** [AT ONE] office **in the state that is maintained by a firm** [ONLY].

9 * **Sec. 12.** AS 08.04.370 is amended to read:

10 **Sec. 08.04.370. Use of title "certified public accountant" by office of firm**
11 **[LEGAL ENTITY].** The title "certified public accountant" or the abbreviation "CPA"
12 may not be used in connection with an office of a **firm** [LEGAL ENTITY] holding a
13 permit [OR AN OUT-OF-STATE EXEMPTION] unless the supervision requirement
14 of AS 08.04.360 is satisfied.

15 * **Sec. 13.** AS 08.04.420(a) is amended to read:

16 (a) **An** [EXCEPT AS LIMITED BY (b) OF THIS SECTION, AN] individual
17 who does not have a license in this state, but who is licensed to practice public
18 accounting in another state and whose principal place of business for the practice of
19 public accounting is in the other state may engage in the practice of public accounting
20 in this state under a practice privilege if the state in which the individual is licensed to
21 practice public accounting

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

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

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

27 (C) possess at least one year of experience, which includes
28 providing any type of service or advice involving the use of accounting, attest,
29 compilation, management advisory, financial advisory, tax, or consulting
30 skills; the experience may be obtained through practice with the government,
31 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.

* **Sec. 14.** AS 08.04.420(c) is amended to read:

(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. 15.** AS 08.04.422 is amended to read:

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 **firm** [LEGAL ENTITY] with a permit **that** [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 **firm** [LEGAL ENTITY] that hires an individual with a practice privilege shall

(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 **firm** [LEGAL ENTITY] will stop offering to engage or engaging in the practice of public accounting, whether individually or on behalf of a **firm** [LEGAL ENTITY], if the license from the state of the individual's or **firm's** [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 **firm's** [LEGAL ENTITY'S] agent for service of process in a court action or in another proceeding against the individual or **firm** [LEGAL ENTITY] that arises out of a transaction or an operation connected with or incidental to the individual's or **firm's** [LEGAL ENTITY'S] engagement in the practice of public accounting.

* **Sec. 16.** AS 08.04.426(a) is amended to read:

(a) The board may require as a condition for renewal of a license or a permit that the applicant for the renewal **provide evidence of enrollment in** [UNDERGO] a **peer** [QUALITY] review **program approved** [CONDUCTED AS REQUIRED] by the board by regulation.

* **Sec. 17.** AS 08.04.426(c) is amended to read:

(c) The board shall adopt the regulations under (a) **and (f)** of this section in a reasonable time before the regulations are scheduled to become effective.

* **Sec. 18.** AS 08.04.426(d) is amended to read:

(d) The regulations adopted under (a) **or (f)** of this section may require that

(1) an applicant demonstrate that the applicant has undergone a **peer** [QUALITY] review that is a satisfactory equivalent to the **peer** [QUALITY] review under (a) of this section;

(2) the **administration of a peer review** [QUALITY REVIEWS] be subject to **oversight** [SUPERVISION] by an oversight body established or approved by the board;

(3) **a peer review** [THE QUALITY REVIEWS] be **performed** [OPERATED] and the documents be maintained in a manner that is designed to preserve confidentiality; and

(4) **organizations administering peer review programs provide information requested by the board** [THE BOARD OR ANOTHER PERSON, EXCEPT FOR THE OVERSIGHT BODY AUTHORIZED BY (2) OF THIS SUBSECTION, MAY NOT ACCESS THE DOCUMENTS FURNISHED OR GENERATED IN THE COURSE OF THE QUALITY REVIEW].

* **Sec. 19.** AS 08.04.426 is amended by adding a new subsection to read:

(f) The board shall, not more frequently than once every three years, require as

1 a condition for renewal of a permit of a firm that the applicant firm undergo a peer
 2 review conducted as required by the board by regulation. The peer review must
 3 include verification that an individual who practices at the firm, including an
 4 individual who is responsible for supervising attest functions or compilation services
 5 in the firm, and who signs or authorizes another person to sign the accountant's report
 6 on a financial statement on behalf of the firm, meets competency requirements
 7 established by the board. The regulations must

8 (1) include reasonable provision for compliance by a firm showing that
 9 it has, within the preceding three years, undergone a peer review acceptable to the
 10 board that is substantially equivalent to the peer review required in (d) of this section;

11 (2) require, for an organization administering peer review programs
 12 under (1) of this subsection, to be subject to periodic evaluation by the board to assess
 13 the effectiveness of the peer review program;

14 (3) require, for peer reviews under (1) of this subsection, timely
 15 submittal of peer review documents on board request; and

16 (4) maintain documents collected by the board under this subsection in
 17 a manner that is designed to preserve confidentiality.

18 * **Sec. 20.** AS 08.04.440 is amended to read:

19 **Sec. 08.04.440. Effect of failure to obtain license or permit.** Failure of an
 20 individual or a firm [, PARTNERSHIP, LIMITED LIABILITY COMPANY,
 21 CORPORATION, OR OTHER LEGAL ENTITY] to apply for a required license or
 22 permit or to pay a required fee within (1) three years from the expiration date of the
 23 license or permit last obtained or renewed, or (2) three years from the date the person
 24 was granted a license or permit as a public accountant valid under AS 08.04.661
 25 deprives the individual or firm [, PARTNERSHIP, LIMITED LIABILITY
 26 COMPANY, CORPORATION, OR OTHER LEGAL ENTITY] of the right to a
 27 license or permit or renewal of a license or permit unless the board determines that the
 28 failure is excusable. In case of excusable failure, the board shall determine the fee
 29 for a license or permit or renewal of a license or permit under this section [MAY NOT
 30 EXCEED THREE TIMES ONE YEAR'S PORTION OF THE FEE THAT WOULD
 31 HAVE OTHERWISE BEEN REQUIRED FOR THE LICENSE, PERMIT, OR

1 RENEWAL].

2 * **Sec. 21.** AS 08.04.450(a) is amended to read:

3 (a) In addition to its powers under AS 08.01.075, the board may revoke,
 4 suspend, or refuse to renew a license, practice privilege, **or** permit, [OR OUT-OF-
 5 STATE EXEMPTION, OR] may censure a holder of a license, practice privilege, **or**
 6 permit, **or may require a holder of a license, practice privilege, or permit to**
 7 **undergo a peer review under terms required by the board or satisfactorily**
 8 **complete continuing education, if the board finds** [OR OUT-OF-STATE
 9 EXEMPTION, FOR]

10 (1) fraud or deceit in obtaining a license or permit required by this
 11 chapter;

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

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

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

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

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

23 (7) cancellation, revocation, suspension, or refusal to renew authority
 24 to practice as a certified public accountant or public accountant in any other state for
 25 any cause other than failure to pay a required fee;

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

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

31 (10) failure to **comply with the peer** [SATISFACTORILY

COMPLETE A QUALITY] review requirement under AS 08.04.426; [OR]

(11) commission of [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 this or the other state;

(12) dishonesty, fraud, deceit, or gross negligence by the holder of a license, practice privilege, or permit in the filing or failure to file the income tax returns of the holder of the license, practice privilege, or permit;

(13) violation of professional standards;

(14) performance of any fraudulent act while holding a license, practice privilege, or permit under this chapter; or

(15) a false or misleading statement or verification provided in support of the application of another person for a license or permit under this chapter.

* Sec. 22. AS 08.04.450 is amended by adding a new subsection to read:

(c) The board may require the holder of a license, practice privilege, or permit who is disciplined under (a) of this section to bear the costs of the disciplinary proceedings.

* Sec. 23. AS 08.04.470 is amended to read:

Sec. 08.04.470. Revocation of a firm permit [OF PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER LEGAL ENTITY]. The board shall revoke the permit of a firm [PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER LEGAL ENTITY] if at any time the firm [IT] does not meet the qualifications prescribed by the sections of this chapter under which the firm [IT] qualified for the permit.

* Sec. 24. AS 08.04.480 is amended to read:

Sec. 08.04.480. Grounds for censure of, or the revocation, suspension, or refusal to renew a permit for, a firm [PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER LEGAL ENTITY]. The board may revoke or suspend the permit of a firm [PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER LEGAL ENTITY], may revoke, suspend, or refuse to renew its permit, or may censure the firm [PARTNERSHIP,

LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER LEGAL ENTITY] for any of the causes enumerated in AS 08.04.450 or for any of the following additional causes:

(1) the revocation, [OR] suspension, or refusal to renew [OF] the license or practice privilege of an owner of a firm in this state or in another state [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];

(2) [THE REVOCATION, SUSPENSION, OR REFUSAL TO RENEW THE PERMIT OF A PARTNER, A MEMBER, OR A SHAREHOLDER, OR, IF THE PERMITTEE IS A LEGAL ENTITY OTHER THAN A PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY, AN OWNER OF THE PERMITTEE];

(3)] the cancellation, revocation, suspension, or refusal to renew the permit or authority of the firm [PARTNERSHIP OR ANY PARTNER, THE LIMITED LIABILITY COMPANY OR A MEMBER, THE CORPORATION OR A SHAREHOLDER, OR THE OTHER LEGAL ENTITY] to practice public accounting in another state for any cause other than failure to pay a required fee in that state.

* **Sec. 25.** AS 08.04.500(a) is amended to read:

(a) An individual 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 the individual is a certified public accountant, unless the individual has received a license and all of the individual's offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 and 08.04.370 [AS 08.04.360 - 08.04.380].

* **Sec. 26.** 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] may issue a report on behalf [FINANCIAL STATEMENTS] of another person or governmental unit. This restriction does not apply to

(1) an officer, partner, member, or employee of a firm [SOLE

1 PROPRIETORSHIP, PARTNERSHIP, CORPORATION, LIMITED LIABILITY
 2 COMPANY, OR OTHER LEGAL ENTITY] affixing that person's signature to a
 3 statement or report in reference to the financial affairs of the **firm** [SOLE
 4 PROPRIETORSHIP, PARTNERSHIP, CORPORATION, LIMITED LIABILITY
 5 COMPANY, OR OTHER LEGAL ENTITY] with wording designating the position,
 6 title, or office that the person holds in the **firm** [SOLE PROPRIETORSHIP,
 7 PARTNERSHIP, CORPORATION, LIMITED LIABILITY COMPANY, OR
 8 OTHER LEGAL ENTITY];

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

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

15 * **Sec. 27.** AS 08.04.510(a) is amended to read:

16 (a) A **firm** [PARTNERSHIP, LIMITED LIABILITY COMPANY,
 17 CORPORATION, OR OTHER LEGAL ENTITY] may not assume or use the title or
 18 designation "certified public accountant" or the abbreviation "CPA" or any other title,
 19 designation, word, letter, abbreviation, sign, card, or device tending to indicate that it
 20 is composed of certified public accountants, unless the **firm** [PARTNERSHIP,
 21 LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER LEGAL
 22 ENTITY] holds a permit [OR AN OUT-OF-STATE EXEMPTION] and is engaging
 23 in the practice of public accounting under the name on its permit [, AND ITS
 24 OFFICES IN THIS STATE FOR THE PRACTICE OF PUBLIC ACCOUNTING
 25 ARE MAINTAINED AS REQUIRED BY AS 08.04.360 - 08.04.380].

26 * **Sec. 28.** AS 08.04.520 is amended to read:

27 **Sec. 08.04.520. Individual posing as public accountant.** An individual may
 28 not assume or use the title or designation "public accountant" or the abbreviation "PA"
 29 or other title, designation, word, letter, abbreviation, sign, card, or device tending to
 30 indicate that the individual is a public accountant, unless the individual holds a current
 31 license or practice privilege and the individual's offices in this state for the practice of

public accounting are maintained as required by AS 08.04.360 and 08.04.370
[AS 08.04.360 - 08.04.380].

* **Sec. 29.** AS 08.04.530 is amended to read:

Sec. 08.04.530. Firm [PARTNERSHIP, LIMITED LIABILITY COMPANY, OR CORPORATION] posing as public accountant. A firm [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 firm [PARTNERSHIP, LIMITED LIABILITY COMPANY, OR CORPORATION] is composed of public accountants, unless the firm [PARTNERSHIP, LIMITED LIABILITY COMPANY, OR CORPORATION] holds a current permit [OR OUT-OF-STATE EXEMPTION, AND, IF IT HAS A PERMIT], is practicing under the name on its permit, and its office in this state for the practice of public accounting is maintained as required by AS 08.04.360 and 08.04.370 [AS 08.04.360 - 08.04.380].

* **Sec. 30.** AS 08.04.540 is amended to read:

Sec. 08.04.540. Use of deceptive title or abbreviation. An individual or firm [, PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER LEGAL ENTITY] 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 "C," "EA," "LA," "RA," or similar 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 [, HOWEVER], an individual [, PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION,] or firm [OTHER LEGAL ENTITY] holding a current license, [OR] permit, [OR AN OUT-OF-STATE EXEMPTION] 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 and 08.04.370 [AS 08.04.360 - 08.04.380] may hold out to the public as an accountant or auditor.

1 * **Sec. 31.** AS 08.04.560 is amended to read:

2 **Sec. 08.04.560. Individual may not assume title.** An individual may not sign
3 or affix any name or any trade or assumed name used by that individual to any
4 accounting or financial statement or opinion or report [ON ANY ACCOUNTING OR
5 FINANCIAL STATEMENT] with any wording indicating that the person is a certified
6 public accountant or public accountant or with any wording indicating that the person
7 has expert knowledge in accounting or auditing, unless the individual holds a current
8 license or practice privilege [AND THE INDIVIDUAL'S OFFICES IN THIS STATE,
9 IF ANY, FOR THE PRACTICE OF PUBLIC ACCOUNTING ARE MAINTAINED
10 AS REQUIRED BY AS 08.04.360 - 08.04.380].

11 * **Sec. 32.** AS 08.04.565 is amended to read:

12 **Sec. 08.04.565. Prohibited acts.** An individual licensed under AS 08.04.105
13 may not perform attest functions through a **firm** [PARTNERSHIP, LIMITED
14 LIABILITY COMPANY, CORPORATION, OR OTHER BUSINESS ENTITY]
15 unless the **firm** [PARTNERSHIP, LIMITED LIABILITY COMPANY,
16 CORPORATION, OR OTHER BUSINESS ENTITY] holds a valid permit issued
17 under AS 08.04.240.

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

19 **Sec. 08.04.600. Disclosure of lack of license or permit.** An individual [,
20 PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION,] or **firm**
21 [OTHER ENTITY] that does not hold a current license, a current practice privilege, **or**
22 a current permit [, OR A CURRENT OUT-OF-STATE EXEMPTION,] may not hold
23 out to the public as a certified public accountant or public accountant by use of **those**
24 [SUCH] words or abbreviations on any sign, card, or letterhead, or in any
25 advertisement or directory, without indicating that the individual [, PARTNERSHIP,
26 LIMITED LIABILITY COMPANY, CORPORATION,] or **firm** [OTHER ENTITY]
27 does not hold a current license, a current practice privilege, or a current permit. This
28 section does not prohibit

29 (1) an officer, employee, partner, member, or principal of an
30 organization from self-description through the position, title, or office that the person
31 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 firm [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 firm [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 firm [PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION, 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 those [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 firm [OTHER LEGAL ENTITY] holding a current license, a current practice privilege, or a current permit if [, 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

1 under this chapter;

2 (3) a holder of a certificate, license, or degree from a foreign country
 3 that entitles the holder to practice public accounting or the equivalent in the
 4 foreign country from providing professional services to the government of the
 5 country issuing the license, a business whose principal office is located in the
 6 foreign country, or a person who is a resident of the foreign country, if the holder
 7 of the certificate, license, or degree issued by the foreign country does not
 8 perform attest functions, or issue a report regarding an individual firm, or
 9 government of the state, and uses only the title or designation permitted under
 10 the certificate, license, or degree issued by the foreign country followed by an
 11 English translation [CONSTITUTES A RECOGNIZED QUALIFICATION FOR
 12 THE PRACTICE OF PUBLIC ACCOUNTING IN THAT COUNTRY FROM
 13 INDICATING THAT THE PERSON HOLDS THE CERTIFICATE, LICENSE, OR
 14 DEGREE, BUT THE PERSON MAY NOT INDICATE THAT THE PERSON'S
 15 SERVICES ARE AVAILABLE TO THE PUBLIC UNLESS THE PERSON HOLDS
 16 A CURRENT LICENSE, PRACTICE PRIVILEGE, PERMIT, OR OUT-OF-STATE
 17 EXEMPTION UNDER THIS CHAPTER].

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

19 (a) A license holder, a permit holder, or a practice privilege holder [, AN
 20 OUT-OF-STATE EXEMPTION HOLDER,] or a partner, an officer, a shareholder, a
 21 member, or an employee of a license holder, a permit holder, [AN OUT-OF-STATE
 22 EXEMPTION HOLDER,] or a practice privilege holder may not reveal information
 23 communicated to the license holder, permit holder [, OUT-OF-STATE EXEMPTION
 24 HOLDER,] or practice privilege holder by a client about a matter concerning which
 25 the client has employed the license holder, permit holder, [OUT-OF-STATE
 26 EXEMPTION HOLDER,] or practice privilege holder in a professional capacity. This
 27 section does not apply to

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

30 (2) the release of information the client has authorized the license
 31 holder, permit holder, [OUT-OF-STATE EXEMPTION HOLDER,] or practice

1 privilege holder to reveal;

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

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

7 (5) information revealed in the course of a **peer** [QUALITY] review
8 under AS 08.04.426; or

9 (6) information disclosed

10 (A) under applicable state or federal laws or regulations; or

11 (B) as required by the Public Company Accounting Oversight
12 Board.

13 * **Sec. 37.** AS 08.04.680(1) is amended to read:

14 (1) "attest function" means

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

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

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

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

27 (E) any examination, **other than an examination described in**
28 **(C) of this paragraph**, review, or agreed upon procedure [TO BE] performed
29 in accordance with the standards on attestation engagements as

30 (i) developed by national accountancy organizations,
31 including the American Institute of Certified Public Accountants and

the Public Company Accounting Oversight Board; and

(ii) adopted by the board in regulation;

* **Sec. 38.** AS 08.04.680(4) is amended to read:

(4) "compilation service" means a service **of any compilation engagement performed in accordance with** [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;]

* **Sec. 39.** AS 08.04.680(14) is amended to read:

(14) "permit" means a permit issued under AS 08.04.240 [OR 08.04.421(a)];

* **Sec. 40.** AS 08.04.680(15) is amended to read:

(15) "practice of public accounting" means the offering to perform or the performance as a person holding a license, practice privilege, or permit under this chapter of a service involving the use of accounting or auditing skills; in this paragraph, "accounting or auditing skills" includes preparing financial statements, issuing reports [ON FINANCIAL STATEMENTS], furnishing management services, furnishing financial advisory services, providing consulting services, preparing tax returns, advising on tax matters, or consulting on tax matters;

* **Sec. 41.** AS 08.04.680(19) is amended to read:

(19) "report," when used with reference to an attest **function** or compilation service,

(A) means

(i) an opinion, report, or other form of language that states or implies assurance as to the reliability of **the attested information or compiled** financial statements and that also contains or is accompanied by a statement or implication that the person issuing it has special knowledge or competency in accounting or auditing, which

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;

(ii) 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 **attested information or compiled** financial statements referred to or special competence on the part of the person issuing the language;

(iii) any other form of language that is conventionally understood to imply that assurance or special knowledge or competence;

(B) does not include

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

(ii) the following disclaimer language when used by a person without a license **or** [, A] practice privilege [, OR AN OUT-OF-STATE EXEMPTION] in connection with financial statements:

"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

"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. 42.** AS 08.04.680(20) is amended to read:

(20) "state" means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the **Commonwealth of the** Northern Mariana Islands, Guam, the United States Virgin Islands, and American Samoa.

* **Sec. 43.** AS 08.04.680 is amended by adding new paragraphs to read:

1 (21) "firm" means a sole proprietorship, partnership, limited liability
2 company, corporation, or other legal entity;

3 (22) "peer review" means a study, appraisal, or review of one or more
4 aspects of the professional work of a person in the practice of public accounting who
5 issues attest or compilation reports conducted as prescribed under AS 08.04.426 by a
6 person who holds a certificate and who is not affiliated with the person being
7 reviewed;

8 (23) "preparation of financial statements" means providing a service of
9 any preparation of financial statements engagement to be performed in accordance
10 with the Statements on Standards for Accounting and Review Services.

11 * **Sec. 44.** AS 08.04.240(b), 08.04.240(c), 08.04.240(d), 08.04.240(e), 08.04.380,
12 08.04.420(b), 08.04.421, 08.04.426(b), 08.04.426(e), 08.04.510(b), 08.04.680(6),
13 08.04.680(7), 08.04.680(12), and 08.04.680(18) are repealed.