

STATE OF NEW YORK

3842--A

2019-2020 Regular Sessions

IN SENATE

February 19, 2019

Introduced by Sens. STAVISKY, LAVALLE, ADDABBO, COMRIE, FUNKE, GOUNARDES, HOYLMAN, KAMINSKY, KENNEDY, MAYER, RAMOS, SEPULVEDA -- read twice and ordered printed, and when printed to be committed to the Committee on Higher Education -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the business corporation law, the partnership law and the limited liability company law, in relation to certified public accountants

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Section 1503 of the business corporation law is amended by
2 adding a new paragraph (h) to read as follows:

3 (h) Any firm established for the business purpose of incorporating as
4 a professional service corporation formed to lawfully engage in the
5 practice of public accountancy, as such practice is respectively defined
6 under article one hundred forty-nine of the education law shall be
7 required to show (1) that a simple majority of the ownership of the
8 firm, in terms of financial interests, and voting rights held by the
9 firm's owners, belongs to individuals licensed to practice public
10 accountancy in some state, and (2) that all shareholders of a profes-
11 sional service corporation whose principal place of business is in this
12 state, and who are engaged in the practice of public accountancy in this
13 state, hold a valid license issued under section seventy-four hundred
14 four of the education law. For purposes of this paragraph, "financial
15 interest" means capital stock, capital accounts, capital contributions,
16 capital interest, or interest in undistributed earnings of a business
17 entity. Although firms may include non-licensee owners, the firm and
18 its owners must comply with rules promulgated by the state board of
19 regents. Notwithstanding the foregoing, a firm incorporated under this
20 section may not have non-licensee owners if the firm's name includes the
21 words "certified public accountant," or "certified public accountants,"

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

LBD04747-02-9

1 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm
2 that is incorporated under this section shall be a natural person who
3 actively participates in the business of the firm or its affiliated
4 entities. For purposes of this subdivision, "actively participate" means
5 to provide services to clients or to otherwise individually take part in
6 the day-to-day business or management of the firm. Such a firm shall
7 have attached to its certificate of incorporation a certificate or
8 certificates demonstrating the firm's compliance with this paragraph, in
9 lieu of the certificate or certificates required by subparagraph (ii) of
10 paragraph (b) of this section.

11 § 2. Section 1507 of the business corporation law is amended by adding
12 a new paragraph (c) to read as follows:

13 (c) Any firm established for the business purpose of incorporating as
14 a professional service corporation pursuant to paragraph (h) of section
15 fifteen hundred three of this article may issue shares to individuals
16 who are authorized by law to practice in this state the profession which
17 such corporation is authorized to practice and who are or have been
18 engaged in the practice of such profession in such corporation or a
19 predecessor entity, or who will engage in the practice of such profes-
20 sion in such corporation within thirty days of the date such shares are
21 issued and may also issue shares to employees of the corporation not
22 licensed as certified public accountants, provided that:

23 (i) at least fifty-one percent of the outstanding shares of stock of
24 the corporation are owned by certified public accountants,

25 (ii) at least fifty-one percent of the directors are certified public
26 accountants,

27 (iii) at least fifty-one percent of the officers are certified public
28 accountants,

29 (iv) the president, the chairperson of the board of directors and the
30 chief executive officer or officers are certified public accountants.

31 No shareholder of a firm established for the business purpose of incor-
32 porating as a professional service corporation pursuant to paragraph (h)
33 of section fifteen hundred three of this article shall enter into a
34 voting trust agreement, proxy or any other type of agreement vesting in
35 another person, other than another shareholder of the same corporation,
36 the authority to exercise voting power of any or all of his or her
37 shares. All shares issued, agreements made or proxies granted in
38 violation of this section shall be void.

39 § 3. Section 1508 of the business corporation law is amended by adding
40 a new paragraph (c) to read as follows:

41 (c) The directors and officers of any firm established for the busi-
42 ness purpose of incorporating as a professional service corporation
43 pursuant to paragraph (h) of section fifteen hundred three of this arti-
44 cle may include individuals who are not licensed to practice public
45 accountancy, provided however that at least fifty-one percent of the
46 directors, at least fifty-one percent of the officers and the president,
47 the chairperson of the board of directors and the chief executive offi-
48 cer or officers are authorized by law to practice in any state the
49 profession which such corporation is authorized to practice, and are
50 either shareholders of such corporation or engaged in the practice of
51 their professions in such corporation.

52 § 4. Section 1509 of the business corporation law, as amended by chap-
53 ter 550 of the laws of 2011, is amended to read as follows:

54 § 1509. Disqualification of shareholders, directors, officers and
55 employees.

1 If any shareholder, director, officer or employee of a professional
2 service corporation, including a design professional service corpo-
3 ration, who has been rendering professional service to the public
4 becomes legally disqualified to practice his or her profession within
5 this state, he or she shall sever all employment with, and financial
6 interests (other than interests as a creditor) in, such corporation
7 forthwith or as otherwise provided in section 1510 of this article. All
8 provisions of law regulating the rendering of professional services by a
9 person elected or appointed to a public office shall be applicable to a
10 shareholder, director, officer and employee of such corporation in the
11 same manner and to the same extent as if fully set forth herein. Such
12 legal disqualification to practice his or her profession within this
13 state shall be deemed to constitute an irrevocable offer by the disqual-
14 ified shareholder to sell his or her shares to the corporation, pursuant
15 to the provisions of section 1510 of this article or of the certificate
16 of incorporation, by-laws or agreement among the corporation and all
17 shareholders, whichever is applicable. Compliance with the terms of such
18 offer shall be specifically enforceable in the courts of this state. A
19 professional service corporation's failure to enforce compliance with
20 this provision shall constitute a ground for forfeiture of its certif-
21 icate of incorporation and its dissolution.

22 § 5. Paragraph (a) of section 1511 of the business corporation law, as
23 amended by chapter 550 of the laws of 2011, is amended and a new para-
24 graph (c) is added to read as follows:

25 (a) No shareholder of a professional service corporation [~~or~~], includ-
26 ing a design professional service corporation, may sell or transfer his
27 or her shares in such corporation except to another individual who is
28 eligible to have shares issued to him or her by such corporation or
29 except in trust to another individual who would be eligible to receive
30 shares if he or she were employed by the corporation. Nothing herein
31 contained shall be construed to prohibit the transfer of shares by oper-
32 ation of law or by court decree. No transferee of shares by operation
33 of law or court decree may vote the shares for any purpose whatsoever
34 except with respect to corporate action under sections 909 and 1001 of
35 this chapter. The restriction in the preceding sentence shall not apply,
36 however, where such transferee would be eligible to have shares issued
37 to him or her if he or she were an employee of the corporation and, if
38 there are other shareholders, a majority of such other shareholders
39 shall fail to redeem the shares so transferred, pursuant to section 1510
40 of this article, within sixty days of receiving written notice of such
41 transfer. Any sale or transfer, except by operation of law or court
42 decree or except for a corporation having only one shareholder, may be
43 made only after the same shall have been approved by the board of direc-
44 tors, or at a shareholders' meeting specially called for such purpose by
45 such proportion, not less than a majority, of the outstanding shares as
46 may be provided in the certificate of incorporation or in the by-laws of
47 such professional service corporation. At such shareholders' meeting the
48 shares held by the shareholder proposing to sell or transfer his or her
49 shares may not be voted or counted for any purpose, unless all share-
50 holders consent that such shares be voted or counted. The certificate of
51 incorporation or the by-laws of the professional service corporation, or
52 the professional service corporation and the shareholders by private
53 agreement, may provide, in lieu of or in addition to the foregoing
54 provisions, for the alienation of shares and may require the redemption
55 or purchase of such shares by such corporation at prices and in a manner
56 specifically set forth therein. The existence of the restrictions on the

1 sale or transfer of shares, as contained in this article and, if appli-
2 cable, in the certificate of incorporation, by-laws, stock purchase or
3 stock redemption agreement, shall be noted conspicuously on the face or
4 back of every certificate for shares issued by a professional service
5 corporation. Any sale or transfer in violation of such restrictions
6 shall be void.

7 (c) A firm established for the business purpose of incorporating as a
8 professional service corporation pursuant to paragraph (h) of section
9 fifteen hundred three of this article, shall purchase or redeem the
10 shares of a non-licensed professional shareholder in the case of his or
11 her termination of employment within thirty days after such termination.
12 A firm established for the business purpose of incorporating as a
13 professional service corporation pursuant to paragraph (h) of section
14 fifteen hundred three of this article, shall not be required to purchase
15 or redeem the shares of a terminated non-licensed professional share-
16 holder if such shares, within thirty days after such termination, are
17 sold or transferred to another employee of the corporation pursuant to
18 this article.

19 § 6. Section 1514 of the business corporation law is amended by adding
20 a new paragraph (c) to read as follows:

21 (c) Each firm established for the business purpose of incorporating as
22 a professional service corporation pursuant to paragraph (h) of section
23 fifteen hundred three of this article shall, at least once every three
24 years on or before the date prescribed by the licensing authority,
25 furnish a statement to the licensing authority listing the names and
26 residence addresses of each shareholder, director and officer of such
27 corporation and certify as the date of certification and at all times
28 over the entire three year period that:

29 (i) at least fifty-one percent of the outstanding shares of stock of
30 the corporation are and were owned by certified public accountants,

31 (ii) at least fifty-one percent of the directors are and were certi-
32 fied public accountants,

33 (iii) at least fifty-one percent of the officers are and were certi-
34 fied public accountants,

35 (iv) the president, the chairperson of the board of directors and the
36 chief executive officer or officers are and were certified public
37 accountants.

38 The statement shall be signed by the president or any certified public
39 accountant vice-president and attested to by the secretary or any
40 assistant secretary of the corporation.

41 § 7. Paragraph (d) of section 1525 of the business corporation law, as
42 added by chapter 505 of the laws of 1983, is amended to read as follows:

43 (d) "Foreign professional service corporation" means a professional
44 service corporation, whether or not denominated as such, organized under
45 the laws of a jurisdiction other than this state, all of the sharehold-
46 ers, directors and officers of which are authorized and licensed to
47 practice the profession for which such corporation is licensed to do
48 business; except that all shareholders, directors and officers of a
49 foreign professional service corporation which provides health services
50 in this state shall be licensed in this state. A foreign professional
51 service corporation formed to lawfully engage in the practice of public
52 accountancy, as such practice is defined under article one hundred
53 forty-nine of the education law, or equivalent state law, shall be
54 required to show (1) that a simple majority of the ownership of the
55 firm, in terms of financial interests, and voting rights held by the
56 firm's owners, belongs to individuals licensed to practice public

1 accountancy in some state, and (2) that all shareholders of a foreign
2 professional service corporation whose principal place of business is in
3 this state, and who are engaged in the practice of public accountancy in
4 this state, hold a valid license issued under section seventy-four
5 hundred four of the education law. For purposes of this paragraph,
6 "financial interest" means capital stock, capital accounts, capital
7 contributions, capital interest, or interest in undistributed earnings
8 of a business entity. Although firms may include non-licensee owners,
9 the firm and its owners must comply with rules promulgated by the state
10 board of regents. Notwithstanding the foregoing, a firm registered
11 under this section may not have non-licensee owners if the firm's name
12 includes the words "certified public accountant," or "certified public
13 accountants," or the abbreviations "CPA" or "CPAs". Each non-licensee
14 owner of a firm that is operating under this section shall be a natural
15 person who actively participates in the business of the firm or its
16 affiliated entities, provided each beneficial owner of an equity inter-
17 est in such entity is a natural person who actively participates in the
18 business conducted by the firm or its affiliated entities. For purposes
19 of this paragraph, "actively participate" means to provide services to
20 clients or to otherwise individually take part in the day-to-day busi-
21 ness or management of the firm.

22 § 8. Subdivision (q) of section 121-1500 of the partnership law, as
23 amended by chapter 475 of the laws of 2014, is amended to read as
24 follows:

25 (q) Each partner of a registered limited liability partnership formed
26 to provide medical services in this state must be licensed pursuant to
27 article 131 of the education law to practice medicine in this state and
28 each partner of a registered limited liability partnership formed to
29 provide dental services in this state must be licensed pursuant to arti-
30 cle 133 of the education law to practice dentistry in this state. Each
31 partner of a registered limited liability partnership formed to provide
32 veterinary services in this state must be licensed pursuant to article
33 135 of the education law to practice veterinary medicine in this state.
34 Each partner of a registered limited liability partnership formed to
35 provide public accountancy services, whose principal place of business
36 is in this state and who provides public accountancy services, must be
37 licensed pursuant to article 149 of the education law to practice public
38 accountancy in this state. Each partner of a registered limited liabil-
39 ity partnership formed to provide professional engineering, land survey-
40 ing, geological services, architectural and/or landscape architectural
41 services in this state must be licensed pursuant to article 145, article
42 147 and/or article 148 of the education law to practice one or more of
43 such professions in this state. Each partner of a registered limited
44 liability partnership formed to provide licensed clinical social work
45 services in this state must be licensed pursuant to article 154 of the
46 education law to practice clinical social work in this state. Each part-
47 ner of a registered limited liability partnership formed to provide
48 creative arts therapy services in this state must be licensed pursuant
49 to article 163 of the education law to practice creative arts therapy in
50 this state. Each partner of a registered limited liability partnership
51 formed to provide marriage and family therapy services in this state
52 must be licensed pursuant to article 163 of the education law to prac-
53 tice marriage and family therapy in this state. Each partner of a regis-
54 tered limited liability partnership formed to provide mental health
55 counseling services in this state must be licensed pursuant to article
56 163 of the education law to practice mental health counseling in this

1 state. Each partner of a registered limited liability partnership formed
2 to provide psychoanalysis services in this state must be licensed pursu-
3 ant to article 163 of the education law to practice psychoanalysis in
4 this state. Each partner of a registered limited liability partnership
5 formed to provide applied behavior analysis service in this state must
6 be licensed or certified pursuant to article 167 of the education law to
7 practice applied behavior analysis in this state. A limited liability
8 partnership formed to lawfully engage in the practice of public accoun-
9 tancy, as such practice is respectively defined under article 149 of the
10 education law, shall be required to show (1) that a simple majority of
11 the ownership of the firm, in terms of financial interests, and voting
12 rights held by the firm's owners, belongs to individuals licensed to
13 practice public accountancy in some state, and (2) that all partners of
14 a limited liability partnership whose principal place of business is in
15 this state, and who are engaged in the practice of public accountancy in
16 this state, hold a valid license issued under section seventy-four
17 hundred four of the education law. For purposes of this subdivision,
18 "financial interest" means capital stock, capital accounts, capital
19 contributions, capital interest, or interest in undistributed earnings
20 of a business entity. Although firms may include non-licensee owners,
21 the firm and its owners must comply with rules promulgated by the state
22 board of regents. Notwithstanding the foregoing, a firm registered under
23 this section may not have non-licensee owners if the firm's name
24 includes the words "certified public accountant," or "certified public
25 accounts," or the abbreviations "CPA" or "CPAs". Each non-licensee owner
26 of a firm that is formed under this section shall be (1) a natural
27 person who actively participates in the business of the firm or its
28 affiliated entities, or (2) an entity, including, but not limited to, a
29 partnership or professional corporation, provided each beneficial owner
30 of an equity interest in such entity is a natural person who actively
31 participates in the business conducted by the firm or its affiliated
32 entities. For purposes of this subdivision, "actively participate" means
33 to provide services to clients or to otherwise individually take part in
34 the day-to-day business or management of the firm.

35 § 9. Subdivision (q) of section 121-1502 of the partnership law, as
36 amended by chapter 475 of the laws of 2014, is amended to read as
37 follows:

38 (q) Each partner of a foreign limited liability partnership which
39 provides medical services in this state must be licensed pursuant to
40 article 131 of the education law to practice medicine in the state and
41 each partner of a foreign limited liability partnership which provides
42 dental services in the state must be licensed pursuant to article 133 of
43 the education law to practice dentistry in this state. Each partner of a
44 foreign limited liability partnership which provides veterinary service
45 in the state shall be licensed pursuant to article 135 of the education
46 law to practice veterinary medicine in this state. Each partner of a
47 foreign limited liability partnership which provides professional engi-
48 neering, land surveying, geological services, architectural and/or land-
49 scape architectural services in this state must be licensed pursuant to
50 article 145, article 147 and/or article 148 of the education law to
51 practice one or more of such professions. Each partner of a foreign
52 registered limited liability partnership formed to provide public
53 accountancy services, whose principal place of business is in this state
54 and who provides public accountancy services, must be licensed pursuant
55 to article 149 of the education law to practice public accountancy in
56 this state. Each partner of a foreign limited liability partnership

1 which provides licensed clinical social work services in this state must
2 be licensed pursuant to article 154 of the education law to practice
3 licensed clinical social work in this state. Each partner of a foreign
4 limited liability partnership which provides creative arts therapy
5 services in this state must be licensed pursuant to article 163 of the
6 education law to practice creative arts therapy in this state. Each
7 partner of a foreign limited liability partnership which provides
8 marriage and family therapy services in this state must be licensed
9 pursuant to article 163 of the education law to practice marriage and
10 family therapy in this state. Each partner of a foreign limited liabil-
11 ity partnership which provides mental health counseling services in this
12 state must be licensed pursuant to article 163 of the education law to
13 practice mental health counseling in this state. Each partner of a
14 foreign limited liability partnership which provides psychoanalysis
15 services in this state must be licensed pursuant to article 163 of the
16 education law to practice psychoanalysis in this state. Each partner of
17 a foreign limited liability partnership which provides applied behavior
18 analysis services in this state must be licensed or certified pursuant
19 to article 167 of the education law to practice applied behavior analy-
20 sis in this state. A foreign limited liability partnership formed to
21 lawfully engage in the practice of public accountancy, as such practice
22 is respectively defined under article 149 of the education law, shall be
23 required to show (1) that a simple majority of the ownership of the
24 firm, in terms of financial interests, and voting rights held by the
25 firm's owners, belongs to individuals licensed to practice public
26 accountancy in some state, and (2) that all partners of a foreign limit-
27 ed liability partnership whose principal place of business is in this
28 state, and who are engaged in the practice of public accountancy in this
29 state, hold a valid license issued under section seventy-four hundred
30 four of the education law. For purposes of this subdivision, "financial
31 interest" means capital stock, capital accounts, capital contributions,
32 capital interest, or interest in undistributed earnings of a business
33 entity. Although firms may include non-licensee owners, the firm and
34 its owners must comply with rules promulgated by the state board of
35 regents. Notwithstanding the foregoing, a firm registered under this
36 section may not have non-licensee owners if the firm's name includes the
37 words "certified public accountant," or "certified public accountants,"
38 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm
39 that is formed under this section shall be (1) a natural person who
40 actively participates in the business of the firm or its affiliated
41 entities, or (2) an entity, including, but not limited to, a partnership
42 or professional corporation, provided each beneficial owner of an equity
43 interest in such entity is a natural person who actively participates in
44 the business conducted by the firm or its affiliated entities. For
45 purposes of this subdivision, "actively participate" means to provide
46 services to clients or to otherwise individually take part in the day-
47 to-day business or management of the firm.

48 § 10. Subdivision (h) of section 121-101 of the partnership law, as
49 added by chapter 950 of the laws of 1990, is amended to read as follows:

50 (h) "Limited partnership" and "domestic limited partnership" mean,
51 unless the context otherwise requires, a partnership (i) formed by two
52 or more persons pursuant to this article or which complies with subdivi-
53 sion (a) of section 121-1202 of this article and (ii) having one or more
54 general partners and one or more limited partners. Notwithstanding any
55 other provisions of law a limited partnership or domestic limited part-
56 nership formed to lawfully engage in the practice of public accountancy,

1 as such practice is respectively defined under article 149 of the educa-
2 tion law shall be required to show (1) that a simple majority of the
3 ownership of the firm, in terms of financial interests, including owner-
4 ship-based compensation, and voting rights held by the firm's owners,
5 belongs to individuals licensed to practice public accountancy in some
6 state, and (2) that all partners of a limited partnership or domestic
7 limited partnership, whose principal place of business is in this state,
8 and who are engaged in the practice of public accountancy in this state,
9 hold a valid license issued under section seventy-four hundred four of
10 the education law or are public accountants licensed under section
11 seventy-four hundred five of the education law. Although firms may
12 include non-licensee owners, the firm and its owners must comply with
13 rules promulgated by the state board of regents. Notwithstanding the
14 foregoing, a firm registered under this section may not have non-licen-
15 see owners if the firm's name includes the words "certified public
16 accountant," or "certified public accountants," or the abbreviations
17 "CPA" or "CPAs". Each non-licensee owner of a firm that is registered
18 under this section shall be (1) a natural person who actively partic-
19 ipates in the business of the firm or its affiliated entities, or (2) an
20 entity, including, but not limited to, a partnership or professional
21 corporation, provided each beneficial owner of an equity interest in
22 such entity is a natural person who actively participates in the busi-
23 ness conducted by the firm or its affiliated entities. For purposes of
24 this subdivision, "actively participate" means to provide services to
25 clients or to otherwise individually take part in the day-to-day busi-
26 ness or management of the firm.

27 § 11. Subdivision (b) of section 1207 of the limited liability company
28 law, as amended by chapter 475 of the laws of 2014, is amended to read
29 as follows:

30 (b) With respect to a professional service limited liability company
31 formed to provide medical services as such services are defined in arti-
32 cle 131 of the education law, each member of such limited liability
33 company must be licensed pursuant to article 131 of the education law to
34 practice medicine in this state. With respect to a professional service
35 limited liability company formed to provide dental services as such
36 services are defined in article 133 of the education law, each member of
37 such limited liability company must be licensed pursuant to article 133
38 of the education law to practice dentistry in this state. With respect
39 to a professional service limited liability company formed to provide
40 veterinary services as such services are defined in article 135 of the
41 education law, each member of such limited liability company must be
42 licensed pursuant to article 135 of the education law to practice veter-
43 inary medicine in this state. With respect to a professional service
44 limited liability company formed to provide professional engineering,
45 land surveying, architectural, landscape architectural and/or geological
46 services as such services are defined in article 145, article 147 and
47 article 148 of the education law, each member of such limited liability
48 company must be licensed pursuant to article 145, article 147 and/or
49 article 148 of the education law to practice one or more of such
50 professions in this state. With respect to a professional service
51 limited liability company formed to provide public accountancy services
52 as such services are defined in article 149 of the education law each
53 member of such limited liability company whose principal place of busi-
54 ness is in this state and who provides public accountancy services, must
55 be licensed pursuant to article 149 of the education law to practice
56 public accountancy in this state. With respect to a professional service

1 limited liability company formed to provide licensed clinical social
2 work services as such services are defined in article 154 of the educa-
3 tion law, each member of such limited liability company shall be
4 licensed pursuant to article 154 of the education law to practice
5 licensed clinical social work in this state. With respect to a profes-
6 sional service limited liability company formed to provide creative arts
7 therapy services as such services are defined in article 163 of the
8 education law, each member of such limited liability company must be
9 licensed pursuant to article 163 of the education law to practice crea-
10 tive arts therapy in this state. With respect to a professional service
11 limited liability company formed to provide marriage and family therapy
12 services as such services are defined in article 163 of the education
13 law, each member of such limited liability company must be licensed
14 pursuant to article 163 of the education law to practice marriage and
15 family therapy in this state. With respect to a professional service
16 limited liability company formed to provide mental health counseling
17 services as such services are defined in article 163 of the education
18 law, each member of such limited liability company must be licensed
19 pursuant to article 163 of the education law to practice mental health
20 counseling in this state. With respect to a professional service limited
21 liability company formed to provide psychoanalysis services as such
22 services are defined in article 163 of the education law, each member of
23 such limited liability company must be licensed pursuant to article 163
24 of the education law to practice psychoanalysis in this state. With
25 respect to a professional service limited liability company formed to
26 provide applied behavior analysis services as such services are defined
27 in article 167 of the education law, each member of such limited liabil-
28 ity company must be licensed or certified pursuant to article 167 of the
29 education law to practice applied behavior analysis in this state. A
30 professional service limited liability company formed to lawfully engage
31 in the practice of public accountancy, as such practice is respectively
32 defined under article 149 of the education law shall be required to show
33 (1) that a simple majority of the ownership of the firm, in terms of
34 financial interests, and voting rights held by the firm's owners,
35 belongs to individuals licensed to practice public accountancy in some
36 state, and (2) that all members of a limited professional service limit-
37 ed liability company, whose principal place of business is in this
38 state, and who are engaged in the practice of public accountancy in this
39 state, hold a valid license issued under section seventy-four hundred
40 four of the education law. For purposes of this subdivision, "financial
41 interest" means capital stock, capital accounts, capital contributions,
42 capital interest, or interest in undistributed earnings of a business
43 entity. Although firms may include non-licensee owners, the firm and
44 its owners must comply with rules promulgated by the state board of
45 regents. Notwithstanding the foregoing, a firm registered under this
46 section may not have non-licensee owners if the firm's name includes the
47 words "certified public accountant," or "certified public accountants,"
48 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm
49 that is registered under this section shall be (1) a natural person who
50 actively participates in the business of the firm or its affiliated
51 entities, or (2) an entity, including, but not limited to, a partnership
52 or professional corporation, provided each beneficial owner of an equity
53 interest in such entity is a natural person who actively participates in
54 the business conducted by the firm or its affiliated entities. For
55 purposes of this subdivision, "actively participate" means to provide

1 services to clients or to otherwise individually take part in the day-
2 to-day business or management of the firm.

3 § 12. Subdivision (a) of section 1301 of the limited liability company
4 law, as amended by chapter 475 of the laws of 2014, is amended to read
5 as follows:

6 (a) "Foreign professional service limited liability company" means a
7 professional service limited liability company, whether or not denomi-
8 nated as such, organized under the laws of a jurisdiction other than
9 this state, (i) each of whose members and managers, if any, is a profes-
10 sional authorized by law to render a professional service within this
11 state and who is or has been engaged in the practice of such profession
12 in such professional service limited liability company or a predecessor
13 entity, or will engage in the practice of such profession in the profes-
14 sional service limited liability company within thirty days of the date
15 such professional becomes a member, or each of whose members and manag-
16 ers, if any, is a professional at least one of such members is author-
17 ized by law to render a professional service within this state and who
18 is or has been engaged in the practice of such profession in such
19 professional service limited liability company or a predecessor entity,
20 or will engage in the practice of such profession in the professional
21 service limited liability company within thirty days of the date such
22 professional becomes a member, or (ii) authorized by, or holding a
23 license, certificate, registration or permit issued by the licensing
24 authority pursuant to, the education law to render a professional
25 service within this state; except that all members and managers, if any,
26 of a foreign professional service limited liability company that
27 provides health services in this state shall be licensed in this state.
28 With respect to a foreign professional service limited liability company
29 which provides veterinary services as such services are defined in arti-
30 cle 135 of the education law, each member of such foreign professional
31 service limited liability company shall be licensed pursuant to article
32 135 of the education law to practice veterinary medicine. With respect
33 to a foreign professional service limited liability company which
34 provides medical services as such services are defined in article 131 of
35 the education law, each member of such foreign professional service
36 limited liability company must be licensed pursuant to article 131 of
37 the education law to practice medicine in this state. With respect to a
38 foreign professional service limited liability company which provides
39 dental services as such services are defined in article 133 of the
40 education law, each member of such foreign professional service limited
41 liability company must be licensed pursuant to article 133 of the educa-
42 tion law to practice dentistry in this state. With respect to a foreign
43 professional service limited liability company which provides profes-
44 sional engineering, land surveying, geologic, architectural and/or land-
45 scape architectural services as such services are defined in article
46 145, article 147 and article 148 of the education law, each member of
47 such foreign professional service limited liability company must be
48 licensed pursuant to article 145, article 147 and/or article 148 of the
49 education law to practice one or more of such professions in this state.
50 With respect to a foreign professional service limited liability company
51 which provides public accountancy services as such services are defined
52 in article 149 of the education law, each member of such foreign profes-
53 sional service limited liability company whose principal place of busi-
54 ness is in this state and who provides public accountancy services,
55 shall be licensed pursuant to article 149 of the education law to prac-
56 tice public accountancy in this state. With respect to a foreign profes-

sional service limited liability company which provides licensed clinical social work services as such services are defined in article 154 of the education law, each member of such foreign professional service limited liability company shall be licensed pursuant to article 154 of the education law to practice clinical social work in this state. With respect to a foreign professional service limited liability company which provides creative arts therapy services as such services are defined in article 163 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 163 of the education law to practice creative arts therapy in this state. With respect to a foreign professional service limited liability company which provides marriage and family therapy services as such services are defined in article 163 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 163 of the education law to practice marriage and family therapy in this state. With respect to a foreign professional service limited liability company which provides mental health counseling services as such services are defined in article 163 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 163 of the education law to practice mental health counseling in this state. With respect to a foreign professional service limited liability company which provides psychoanalysis services as such services are defined in article 163 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 163 of the education law to practice psychoanalysis in this state. With respect to a foreign professional service limited liability company which provides applied behavior analysis services as such services are defined in article 167 of the education law, each member of such foreign professional service limited liability company must be licensed or certified pursuant to article 167 of the education law to practice applied behavior analysis in this state. A foreign professional service limited liability company formed to lawfully engage in the practice of public accountancy, as such practice is respectively defined under article 149 of the education law shall be required to show (1) that a simple majority of the ownership of the firm, in terms of financial interests, including ownership-based compensation, and voting rights held by the firm's owners, belongs to individuals licensed to practice public accountancy in some state, and (2) that all members of a foreign limited professional service limited liability company, whose principal place of business is in this state, and who are engaged in the practice of public accountancy in this state, hold a valid license issued under section seventy-four hundred four of the education law. For purposes of this subdivision, "financial interest" means capital stock, capital accounts, capital contributions, capital interest, or interest in undistributed earnings of a business entity. Although firms may include non-licensee owners, the firm and its owners must comply with rules promulgated by the state board of regents. Notwithstanding the foregoing, a firm registered under this section may not have non-licensee owners if the firm's name includes the words "certified public accountant," or "certified public accountants," or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is registered under this section shall be (1) a natural person who actively participates in the business of the firm or its affiliated entities, or (2) an entity, including, but not limited to, a partnership or professional corporation, provided each beneficial owner of an equity interest in

1 such entity is a natural person who actively participates in the busi-
2 ness conducted by the firm or its affiliated entities. For purposes of
3 this subdivision, "actively participate" means to provide services to
4 clients or to otherwise individually take part in the day-to-day busi-
5 ness or management of the firm.

6 § 13. This act shall take effect immediately.