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Introduced by Sens. STAVISKY, LAVALLE, ADDABBO, COMRIE, FUNKE, GOUNARDES, HOYLMAN, KAMINSKY, KENNEDY, MAYER, RAMOS, SALAZAR, 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 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Higher Education in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- 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

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

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1 interest" means capital stock, capital accounts, capital contributions,
2 capital interest, or interest in undistributed earnings of a business
3 entity. Although firms may include non-licensee owners, the firm and
4 its owners must comply with rules promulgated by the state board of
5 regents. Notwithstanding the foregoing, a firm incorporated under this
6 section may not have non-licensee owners if the firm's name includes the
7 words "certified public accountant," or "certified public accountants,"
8 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm
9 that is incorporated under this section shall be a natural person who
10 actively participates in the business of the firm or its affiliated
11 entities. For purposes of this subdivision, "actively participate" means
12 to provide services to clients or to otherwise individually take part in
13 the day-to-day business or management of the firm. Such a firm shall
14 have attached to its certificate of incorporation a certificate or
15 certificates demonstrating the firm's compliance with this paragraph, in
16 lieu of the certificate or certificates required by subparagraph (ii) of
17 paragraph (b) of this section.

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

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

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

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

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

36 (iv) the president, the chairperson of the board of directors and the
37 chief executive officer or officers are certified public accountants.
38 No shareholder of a firm established for the business purpose of incor-
39 porating as a professional service corporation pursuant to paragraph (h)
40 of section fifteen hundred three of this article shall enter into a
41 voting trust agreement, proxy or any other type of agreement vesting in
42 another person, other than another shareholder of the same corporation,
43 the authority to exercise voting power of any or all of his or her
44 shares. All shares issued, agreements made or proxies granted in
45 violation of this section shall be void.

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

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

1 either shareholders of such corporation or engaged in the practice of
2 their professions in such corporation.

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

5 § 1509. Disqualification of shareholders, directors, officers and
6 employees.

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

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

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

1 incorporation or the by-laws of the professional service corporation, or
2 the professional service corporation and the shareholders by private
3 agreement, may provide, in lieu of or in addition to the foregoing
4 provisions, for the alienation of shares and may require the redemption
5 or purchase of such shares by such corporation at prices and in a manner
6 specifically set forth therein. The existence of the restrictions on the
7 sale or transfer of shares, as contained in this article and, if appli-
8 cable, in the certificate of incorporation, by-laws, stock purchase or
9 stock redemption agreement, shall be noted conspicuously on the face or
10 back of every certificate for shares issued by a professional service
11 corporation. Any sale or transfer in violation of such restrictions
12 shall be void.

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

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

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

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

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

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

41 (iv) the president, the chairperson of the board of directors and the
42 chief executive officer or officers are and were certified public
43 accountants.

44 The statement shall be signed by the president or any certified public
45 accountant vice-president and attested to by the secretary or any
46 assistant secretary of the corporation.

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

49 (d) "Foreign professional service corporation" means a professional
50 service corporation, whether or not denominated as such, organized under
51 the laws of a jurisdiction other than this state, all of the sharehold-
52 ers, directors and officers of which are authorized and licensed to
53 practice the profession for which such corporation is licensed to do
54 business; except that all shareholders, directors and officers of a
55 foreign professional service corporation which provides health services
56 in this state shall be licensed in this state. A foreign professional

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

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

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

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

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

44 (q) Each partner of a foreign limited liability partnership which
45 provides medical services in this state must be licensed pursuant to
46 article 131 of the education law to practice medicine in the state and
47 each partner of a foreign limited liability partnership which provides
48 dental services in the state must be licensed pursuant to article 133 of
49 the education law to practice dentistry in this state. Each partner of a
50 foreign limited liability partnership which provides veterinary service
51 in the state shall be licensed pursuant to article 135 of the education
52 law to practice veterinary medicine in this state. Each partner of a
53 foreign limited liability partnership which provides professional engi-
54 neering, land surveying, geological services, architectural and/or land-
55 scape architectural services in this state must be licensed pursuant to
56 article 145, article 147 and/or article 148 of the education law to

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

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

(h) "Limited partnership" and "domestic limited partnership" mean, unless the context otherwise requires, a partnership (i) formed by two or more persons pursuant to this article or which complies with subdivision (a) of section 121-1202 of this article and (ii) having one or more general partners and one or more limited partners. Notwithstanding any other provisions of law a limited partnership or domestic limited partnership 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 partners of a limited partnership or domestic limited partnership, 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 or are public accountants licensed under section seventy-four hundred five of the education law. 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 such entity is a natural person who actively participates in the business conducted by the firm or its affiliated entities. For purposes of this subdivision, "actively participate" means to provide services to clients or to otherwise individually take part in the day-to-day business or management of the firm.

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

(b) With respect to a professional service limited liability company formed to provide medical services as such services are defined in article 131 of the education law, each member of such limited liability company must be licensed pursuant to article 131 of the education law to practice medicine in this state. With respect to a professional service limited liability company formed to provide dental services as such services are defined in article 133 of the education law, each member of such limited liability company must be licensed pursuant to article 133 of the education law to practice dentistry in this state. With respect to a professional service limited liability company formed to provide veterinary services as such services are defined in article 135 of the education law, each member of such limited liability company must be licensed pursuant to article 135 of the education law to practice veterinary medicine in this state. With respect to a professional service limited liability company formed to provide professional engineering, land surveying, architectural, landscape architectural and/or geological services as such services are defined in article 145, article 147 and article 148 of the education law, each member of such limited liability company must be licensed pursuant to article 145, article 147 and/or article 148 of the education law to practice one or more of such

1 professions in this state. With respect to a professional service
2 limited liability company formed to provide public accountancy services
3 as such services are defined in article 149 of the education law each
4 member of such limited liability company whose principal place of busi-
5 ness is in this state and who provides public accountancy services, must
6 be licensed pursuant to article 149 of the education law to practice
7 public accountancy in this state. With respect to a professional service

8 limited liability company formed to provide licensed clinical social
9 work services as such services are defined in article 154 of the educa-
10 tion law, each member of such limited liability company shall be
11 licensed pursuant to article 154 of the education law to practice
12 licensed clinical social work in this state. With respect to a profes-
13 sional service limited liability company formed to provide creative arts
14 therapy services as such services are defined in article 163 of the
15 education law, each member of such limited liability company must be
16 licensed pursuant to article 163 of the education law to practice crea-
17 tive arts therapy in this state. With respect to a professional service
18 limited liability company formed to provide marriage and family therapy
19 services as such services are defined in article 163 of the education
20 law, each member of such limited liability company must be licensed
21 pursuant to article 163 of the education law to practice marriage and
22 family therapy in this state. With respect to a professional service
23 limited liability company formed to provide mental health counseling
24 services as such services are defined in article 163 of the education
25 law, each member of such limited liability company must be licensed
26 pursuant to article 163 of the education law to practice mental health
27 counseling in this state. With respect to a professional service limited
28 liability company formed to provide psychoanalysis services as such
29 services are defined in article 163 of the education law, each member of
30 such limited liability company must be licensed pursuant to article 163
31 of the education law to practice psychoanalysis in this state. With
32 respect to a professional service limited liability company formed to
33 provide applied behavior analysis services as such services are defined
34 in article 167 of the education law, each member of such limited liabil-
35 ity company must be licensed or certified pursuant to article 167 of the
36 education law to practice applied behavior analysis in this state. A

37 professional service limited liability company formed to lawfully engage
38 in the practice of public accountancy, as such practice is respectively
39 defined under article 149 of the education law shall be required to show
40 (1) that a simple majority of the ownership of the firm, in terms of
41 financial interests, and voting rights held by the firm's owners,
42 belongs to individuals licensed to practice public accountancy in some
43 state, and (2) that all members of a limited professional service limit-
44 ed liability company, whose principal place of business is in this
45 state, and who are engaged in the practice of public accountancy in this
46 state, hold a valid license issued under section seventy-four hundred
47 four of the education law. For purposes of this subdivision, "financial
48 interest" means capital stock, capital accounts, capital contributions,
49 capital interest, or interest in undistributed earnings of a business
50 entity. Although firms may include non-licensee owners, the firm and
51 its owners must comply with rules promulgated by the state board of
52 regents. Notwithstanding the foregoing, a firm registered under this
53 section may not have non-licensee owners if the firm's name includes the
54 words "certified public accountant," or "certified public accountants,"
55 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm
56 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 such entity is a natural person who actively participates in the business conducted by the firm or its affiliated entities. For purposes of this subdivision, "actively participate" means to provide services to clients or to otherwise individually take part in the day-to-day business or management of the firm.

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

(a) "Foreign professional service limited liability company" means a professional service limited liability company, whether or not denominated as such, organized under the laws of a jurisdiction other than this state, (i) each of whose members and managers, if any, is a professional authorized by law to render a professional service within this state and who is or has been engaged in the practice of such profession in such professional service limited liability company or a predecessor entity, or will engage in the practice of such profession in the professional service limited liability company within thirty days of the date such professional becomes a member, or each of whose members and managers, if any, is a professional at least one of such members is authorized by law to render a professional service within this state and who is or has been engaged in the practice of such profession in such professional service limited liability company or a predecessor entity, or will engage in the practice of such profession in the professional service limited liability company within thirty days of the date such professional becomes a member, or (ii) authorized by, or holding a license, certificate, registration or permit issued by the licensing authority pursuant to, the education law to render a professional service within this state; except that all members and managers, if any, of a foreign professional service limited liability company that provides health services in this state shall be licensed in this state. With respect to a foreign professional service limited liability company which provides veterinary services as such services are defined in article 135 of the education law, each member of such foreign professional service limited liability company shall be licensed pursuant to article 135 of the education law to practice veterinary medicine. With respect to a foreign professional service limited liability company which provides medical services as such services are defined in article 131 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 131 of the education law to practice medicine in this state. With respect to a foreign professional service limited liability company which provides dental services as such services are defined in article 133 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 133 of the education law to practice dentistry in this state. With respect to a foreign professional service limited liability company which provides professional engineering, land surveying, geologic, architectural and/or landscape architectural services as such services are defined in article 145, article 147 and article 148 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 145, article 147 and/or article 148 of the education law to practice one or more of such professions in this state. With respect to a foreign professional service limited liability company

1 which provides public accountancy services as such services are defined
2 in article 149 of the education law, each member of such foreign profes-
3 sional service limited liability company whose principal place of busi-
4 ness is in this state and who provides public accountancy services,
5 shall be licensed pursuant to article 149 of the education law to prac-
6 tice public accountancy in this state. With respect to a foreign profes-
7 sional service limited liability company which provides licensed clin-
8 ical social work services as such services are defined in article 154 of
9 the education law, each member of such foreign professional service
10 limited liability company shall be licensed pursuant to article 154 of
11 the education law to practice clinical social work in this state. With
12 respect to a foreign professional service limited liability company
13 which provides creative arts therapy services as such services are
14 defined in article 163 of the education law, each member of such foreign
15 professional service limited liability company must be licensed pursuant
16 to article 163 of the education law to practice creative arts therapy in
17 this state. With respect to a foreign professional service limited
18 liability company which provides marriage and family therapy services as
19 such services are defined in article 163 of the education law, each
20 member of such foreign professional service limited liability company
21 must be licensed pursuant to article 163 of the education law to prac-
22 tice marriage and family therapy in this state. With respect to a
23 foreign professional service limited liability company which provides
24 mental health counseling services as such services are defined in arti-
25 cle 163 of the education law, each member of such foreign professional
26 service limited liability company must be licensed pursuant to article
27 163 of the education law to practice mental health counseling in this
28 state. With respect to a foreign professional service limited liability
29 company which provides psychoanalysis services as such services are
30 defined in article 163 of the education law, each member of such foreign
31 professional service limited liability company must be licensed pursuant
32 to article 163 of the education law to practice psychoanalysis in this
33 state. With respect to a foreign professional service limited liability
34 company which provides applied behavior analysis services as such
35 services are defined in article 167 of the education law, each member of
36 such foreign professional service limited liability company must be
37 licensed or certified pursuant to article 167 of the education law to
38 practice applied behavior analysis in this state. A foreign professional
39 service limited liability company formed to lawfully engage in the prac-
40 tice of public accountancy, as such practice is respectively defined
41 under article 149 of the education law shall be required to show (1)
42 that a simple majority of the ownership of the firm, in terms of finan-
43 cial interests, and voting rights held by the firm's owners, belongs to
44 individuals licensed to practice public accountancy in some state, and
45 (2) that all members of a foreign limited professional service limited
46 liability company, whose principal place of business is in this state,
47 and who are engaged in the practice of public accountancy in this state,
48 hold a valid license issued under section seventy-four hundred four of
49 the education law. For purposes of this subdivision, "financial inter-
50 est" means capital stock, capital accounts, capital contributions, capi-
51 tal interest, or interest in undistributed earnings of a business enti-
52 ty. Although firms may include non-licensee owners, the firm and its
53 owners must comply with rules promulgated by the state board of regents.
54 Notwithstanding the foregoing, a firm registered under this section may
55 not have non-licensee owners if the firm's name includes the words
56 "certified public accountant," or "certified public accountants," or the

1 abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is
2 registered under this section shall be (1) a natural person who actively
3 participates in the business of the firm or its affiliated entities, or
4 (2) an entity, including, but not limited to, a partnership or profes-
5 sional corporation, provided each beneficial owner of an equity interest
6 in such entity is a natural person who actively participates in the
7 business conducted by the firm or its affiliated entities. For purposes
8 of this subdivision, "actively participate" means to provide services to
9 clients or to otherwise individually take part in the day-to-day busi-
10 ness or management of the firm.

11 § 13. Notwithstanding any other provision of law to the contrary,
12 there is hereby established a fee for each non-licensee owner of a firm
13 that is registered in this state to lawfully engage in the practice of
14 public accountancy. Such non-licensee owner shall pay a fee of nine
15 hundred dollars to the department of education on a triennial basis.

16 § 14. This act shall take effect immediately.