

# STATE OF NEW YORK

3851

2017-2018 Regular Sessions

## IN SENATE

January 27, 2017

Introduced by Sen. LAVALLE -- read twice and ordered printed, and when printed to be committed to the Committee on Higher Education

AN ACT to amend the education law, 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 7408 of the education law is amended by adding a  
2 new subdivision 6 to read as follows:

3 6. Notwithstanding any other provision of law, any firm established to  
4 lawfully engage in the practice of public accountancy pursuant to arti-  
5 cle fifteen of the business corporation law, articles one and eight-B of  
6 the partnership law, or articles twelve and thirteen of the limited  
7 liability company law shall be deemed eligible to register pursuant to  
8 this section.

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

11 (h) Any firm established for the business purpose of incorporating as  
12 a professional service corporation formed to lawfully engage in the  
13 practice of public accountancy, as such practice is respectively defined  
14 under article one hundred forty-nine of the education law shall be  
15 required to show (1) that a simple majority of the ownership of the  
16 firm, in terms of financial interests, including ownership-based compen-  
17 sation, and voting rights held by the firm's owners, belongs to individ-  
18 uals licensed to practice public accountancy in some state, and (2) that  
19 all shareholders of a professional service corporation whose principal  
20 place of business is in this state, and who are engaged in the practice  
21 of public accountancy in this state, hold a valid license issued under  
22 section seventy-four hundred four of the education law or are public  
23 accountants licensed under section seventy-four hundred five of the  
24 education law. Although firms may include non-licensee owners, the firm

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

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

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

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

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

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

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

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

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

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

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

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

3 § 1509. Disqualification of shareholders, directors, officers and  
4 employees.

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

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

1 to sell or transfer his shares may not be voted or counted for any  
2 purpose, unless all shareholders consent that such shares be voted or  
3 counted. The certificate of incorporation or the by-laws of the profes-  
4 sional service corporation, or the professional service corporation and  
5 the shareholders by private agreement, may provide, in lieu of or in  
6 addition to the foregoing provisions, for the alienation of shares and  
7 may require the redemption or purchase of such shares by such corpo-  
8 ration at prices and in a manner specifically set forth therein. The  
9 existence of the restrictions on the sale or transfer of shares, as  
10 contained in this article and, if applicable, in the certificate of  
11 incorporation, by-laws, stock purchase or stock redemption agreement,  
12 shall be noted conspicuously on the face or back of every certificate  
13 for shares issued by a professional service corporation. Any sale or  
14 transfer in violation of such restrictions shall be void.

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

27 § 7. Paragraph (a) of section 1512 of the business corporation law, as  
28 amended by chapter 550 of the laws of 2011, is amended to read as  
29 follows:

30 (a) Notwithstanding any other provision of law, the name of a profes-  
31 sional service corporation, including a design professional service  
32 corporation and any firm established for the business purpose of incor-  
33 porating as a professional service corporation pursuant to paragraph (h)  
34 of section fifteen hundred three of this article, may contain any word  
35 which, at the time of incorporation, could be used in the name of a  
36 partnership practicing a profession which the corporation is authorized  
37 to practice, and may not contain any word which could not be used by  
38 such a partnership. Provided, however, the name of a professional  
39 service corporation may not contain the name of a deceased person unless

40 (1) such person's name was part of the corporate name at the time of  
41 such person's death; or

42 (2) such person's name was part of the name of an existing partnership  
43 and at least two-thirds of such partnership's partners become sharehold-  
44 ers of the corporation.

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

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

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

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

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

5 (iv) the president, the chairperson of the board of directors and the  
6 chief executive officer or officers are and were certified public  
7 accountants.

8 The statement shall be signed by the president or any certified public  
9 accountant vice-president and attested to by the secretary or any  
10 assistant secretary of the corporation.

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

13 (d) "Foreign professional service corporation" means a professional  
14 service corporation, whether or not denominated as such, organized under  
15 the laws of a jurisdiction other than this state, all of the sharehold-  
16 ers, directors and officers of which are authorized and licensed to  
17 practice the profession for which such corporation is licensed to do  
18 business; except that all shareholders, directors and officers of a  
19 foreign professional service corporation which provides health services  
20 in this state shall be licensed in this state. Notwithstanding any other  
21 provision of law a foreign professional service corporation formed to  
22 lawfully engage in the practice of public accountancy, as such practice  
23 is defined under article one hundred forty-nine of the education law, or  
24 equivalent state law, shall be required to show (1) that a simple major-  
25 ity of the ownership of the firm, in terms of financial interests,  
26 including ownership-based compensation, and voting rights held by the  
27 firm's owners, belongs to individuals licensed to practice public  
28 accountancy in some state, and (2) that all shareholders of a foreign  
29 professional service corporation whose principal place of business is in  
30 this state, and who are engaged in the practice of public accountancy in  
31 this state, hold a valid license issued under section seventy-four  
32 hundred four of the education law or are public accountants licensed  
33 under section seventy-four hundred five of the education law. Although  
34 firms may include non-licensee owners, the firm and its owners must  
35 comply with rules promulgated by the state board of regents. Notwith-  
36 standing the foregoing, a firm registered under this section may not  
37 have non-licensee owners if the firm's name includes the words "certi-  
38 fied public accountant," or "certified public accountants," or the  
39 abbreviations "CPA" or "CPAs." Each non-licensee owner of a firm that is  
40 operating under this section shall be a natural person who actively  
41 participates in the business of the firm or its affiliated entities,  
42 provided each beneficial owner of an equity interest in such entity is a  
43 natural person who actively participates in the business conducted by  
44 the firm or its affiliated entities. For purposes of this subdivision,  
45 "actively participate" means to provide services to clients or to other-  
46 wise individually take part in the day-to-day business or management of  
47 the firm.

48 § 10. Subdivision (q) of section 121-1500 of the partnership law, as  
49 amended by chapter 475 of the laws of 2014, is amended to read as  
50 follows:

51 (q) Each partner of a registered limited liability partnership formed  
52 to provide medical services in this state must be licensed pursuant to  
53 article 131 of the education law to practice medicine in this state and  
54 each partner of a registered limited liability partnership formed to  
55 provide dental services in this state must be licensed pursuant to arti-  
56 cle 133 of the education law to practice dentistry in this state. Each

1 partner of a registered limited liability partnership formed to provide  
2 veterinary services in this state must be licensed pursuant to article  
3 135 of the education law to practice veterinary medicine in this state.  
4 Each partner of a registered limited liability partnership formed to  
5 provide public accountancy services, whose principal place of business  
6 is in this state and who provides public accountancy services, must be  
7 licensed pursuant to article 149 of the education law to practice public  
8 accountancy in this state. Each partner of a registered limited liabil-  
9 ity partnership formed to provide professional engineering, land survey-  
10 ing, geological services, architectural and/or landscape architectural  
11 services in this state must be licensed pursuant to article 145, article  
12 147 and/or article 148 of the education law to practice one or more of  
13 such professions in this state. Each partner of a registered limited  
14 liability partnership formed to provide licensed clinical social work  
15 services in this state must be licensed pursuant to article 154 of the  
16 education law to practice clinical social work in this state. Each part-  
17 ner of a registered limited liability partnership formed to provide  
18 creative arts therapy services in this state must be licensed pursuant  
19 to article 163 of the education law to practice creative arts therapy in  
20 this state. Each partner of a registered limited liability partnership  
21 formed to provide marriage and family therapy services in this state  
22 must be licensed pursuant to article 163 of the education law to prac-  
23 tice marriage and family therapy in this state. Each partner of a regis-  
24 tered limited liability partnership formed to provide mental health  
25 counseling services in this state must be licensed pursuant to article  
26 163 of the education law to practice mental health counseling in this  
27 state. Each partner of a registered limited liability partnership formed  
28 to provide psychoanalysis services in this state must be licensed pursu-  
29 ant to article 163 of the education law to practice psychoanalysis in  
30 this state. Each partner of a registered limited liability partnership  
31 formed to provide applied behavior analysis service in this state must  
32 be licensed or certified pursuant to article 167 of the education law to  
33 practice applied behavior analysis in this state. Notwithstanding any  
34 other provisions of law a limited liability partnership formed to  
35 lawfully engage in the practice of public accountancy, as such practice  
36 is respectively defined under article 149 of the education law, shall be  
37 required to show (1) that a simple majority of the ownership of the  
38 firm, in terms of financial interests, including ownership-based compen-  
39 sation, and voting rights held by the firm's owners, belongs to individ-  
40 uals licensed to practice public accountancy in some state, and (2) that  
41 all partners of a limited liability partnership whose principal place of  
42 business is in this state, and who are engaged in the practice of public  
43 accountancy in this state, hold a valid license issued under section  
44 7404 of the education law or are public accountants licensed under  
45 section 7405 of the education law. Although firms may include non-licen-  
46 see owners, the firm and its owners must comply with rules promulgated  
47 by the state board of regents. Notwithstanding the foregoing, a firm  
48 registered under this section may not have non-licensee owners if the  
49 firm's name includes the words "certified public accountant," or "certi-  
50 fied public accounts," or the abbreviations "CPA" or "CPAs." Each non-  
51 licensee owner of a firm that is incorporated under this section shall  
52 be (1) a natural person who actively participates in the business of the  
53 firm or its affiliated entities, or (2) an entity, including, but not  
54 limited to, a partnership or professional corporation, provided each  
55 beneficial owner of an equity interest in such entity is a natural  
56 person who actively participates in the business conducted by the firm

1 or its affiliated entities. For purposes of this subdivision, "actively  
2 participate" means to provide services to clients or to otherwise indi-  
3 vidually take part in the day-to-day business or management of the firm.

4 § 11. Subdivision (q) of section 121-1502 of the partnership law, as  
5 amended by chapter 475 of the laws of 2014, is amended to read as  
6 follows:

7 (q) Each partner of a foreign limited liability partnership which  
8 provides medical services in this state must be licensed pursuant to  
9 article 131 of the education law to practice medicine in the state and  
10 each partner of a foreign limited liability partnership which provides  
11 dental services in the state must be licensed pursuant to article 133 of  
12 the education law to practice dentistry in this state. Each partner of a  
13 foreign limited liability partnership which provides veterinary service  
14 in the state shall be licensed pursuant to article 135 of the education  
15 law to practice veterinary medicine in this state. Each partner of a  
16 foreign limited liability partnership which provides professional engi-  
17 neering, land surveying, geological services, architectural and/or land-  
18 scape architectural services in this state must be licensed pursuant to  
19 article 145, article 147 and/or article 148 of the education law to  
20 practice one or more of such professions. Each partner of a foreign

21 registered limited liability partnership formed to provide public  
22 accountancy services, whose principal place of business is in this state  
23 and who provides public accountancy services, must be licensed pursuant  
24 to article 149 of the education law to practice public accountancy in  
25 this state. Each partner of a foreign limited liability partnership

26 which provides licensed clinical social work services in this state must  
27 be licensed pursuant to article 154 of the education law to practice  
28 licensed clinical social work in this state. Each partner of a foreign  
29 limited liability partnership which provides creative arts therapy  
30 services in this state must be licensed pursuant to article 163 of the  
31 education law to practice creative arts therapy in this state. Each  
32 partner of a foreign limited liability partnership which provides  
33 marriage and family therapy services in this state must be licensed  
34 pursuant to article 163 of the education law to practice marriage and  
35 family therapy in this state. Each partner of a foreign limited liabil-  
36 ity partnership which provides mental health counseling services in this  
37 state must be licensed pursuant to article 163 of the education law to  
38 practice mental health counseling in this state. Each partner of a  
39 foreign limited liability partnership which provides psychoanalysis  
40 services in this state must be licensed pursuant to article 163 of the  
41 education law to practice psychoanalysis in this state. Each partner of  
42 a foreign limited liability partnership which provides applied behavior  
43 analysis services in this state must be licensed or certified pursuant  
44 to article 167 of the education law to practice applied behavior analy-  
45 sis in this state. Notwithstanding any other provisions of law a

46 foreign limited liability partnership formed to lawfully engage in the  
47 practice of public accountancy, as such practice is respectively defined  
48 under article 149 of the education law, shall be required to show (1)  
49 that a simple majority of the ownership of the firm, in terms of finan-  
50 cial interests, including ownership-based compensation, and voting  
51 rights held by the firm's owners, belongs to individuals licensed to  
52 practice public accountancy in some state, and (2) that all partners of  
53 a foreign limited liability partnership whose principal place of busi-  
54 ness is in this state, and who are engaged in the practice of public  
55 accountancy in this state, hold a valid licence issued under section  
56 7404 of the education law or are public accountants licensed under

1 section 7405 of the education law. Although firms may include non-licen-  
2 see owners, the firm and its owners must comply with rules promulgated  
3 by the state board of regents. Notwithstanding the foregoing, a firm  
4 registered under this section may not have non-licensee owners if the  
5 firm's name includes the words "certified public accountant," or "certi-  
6 fied public accountants," or the abbreviations "CPA" or "CPAs." Each  
7 non-licensee owner of a firm that is incorporated under this section  
8 shall be (1) a natural person who actively participates in the business  
9 of the firm or its affiliated entities, or (2) an entity, including, but  
10 not limited to, a partnership or professional corporation, provided each  
11 beneficial owner of an equity interest in such entity is a natural  
12 person who actively participates in the business conducted by the firm  
13 or its affiliated entities. For purposes of this subdivision, "actively  
14 participate" means to provide services to clients or to otherwise indi-  
15 vidually take part in the day-to-day business or management of the firm.

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

18 (h) "Limited partnership" and "domestic limited partnership" mean,  
19 unless the context otherwise requires, a partnership (i) formed by two  
20 or more persons pursuant to this article or which complies with subdivi-  
21 sion (a) of section 121-1202 of this article and (ii) having one or more  
22 general partners and one or more limited partners. Notwithstanding any  
23 other provisions of law a limited partnership or domestic limited part-  
24 nership formed to lawfully engage in the practice of public accountancy,  
25 as such practice is respectively defined under article 149 of the educa-  
26 tion law shall be required to show (1) that a simple majority of the  
27 ownership of the firm, in terms of financial interests, including owner-  
28 ship-based compensation, and voting rights held by the firm's owners,  
29 belongs to individuals licensed to practice public accountancy in some  
30 state, and (2) that all partners of a limited partnership or domestic  
31 limited partnership, whose principal place of business is in this state,  
32 and who are engaged in the practice of public accountancy in this state,  
33 hold a valid license issued under section 7404 of the education law or  
34 are public accountants licensed under section 7405 of the education law.  
35 Although firms may include non-licensee owners, the firm and its owners  
36 must comply with rules promulgated by the state board of regents.  
37 Notwithstanding the foregoing, a firm registered under this section may  
38 not have non-licensee owners if the firm's name includes the words  
39 "certified public accountant," or "certified public accountants," or the  
40 abbreviations "CPA" or "CPAs." Each non-licensee owner of a firm that is  
41 registered under this section shall be (1) a natural person who actively  
42 participates in the business of the firm or its affiliated entities, or  
43 (2) an entity, including, but not limited to, a partnership or profes-  
44 sional corporation, provided each beneficial owner of an equity interest  
45 in such entity is a natural person who actively participates in the  
46 business conducted by the firm or its affiliated entities. For purposes  
47 of this subdivision, "actively participate" means to provide services to  
48 clients or to otherwise individually take part in the day-to-day busi-  
49 ness or management of the firm.

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

53 (b) With respect to a professional service limited liability company  
54 formed to provide medical services as such services are defined in arti-  
55 cle 131 of the education law, each member of such limited liability  
56 company must be licensed pursuant to article 131 of the education law to



1 practice medicine in this state. With respect to a professional service  
2 limited liability company formed to provide dental services as such  
3 services are defined in article 133 of the education law, each member of  
4 such limited liability company must be licensed pursuant to article 133  
5 of the education law to practice dentistry in this state. With respect  
6 to a professional service limited liability company formed to provide  
7 veterinary services as such services are defined in article 135 of the  
8 education law, each member of such limited liability company must be  
9 licensed pursuant to article 135 of the education law to practice veter-  
10 inary medicine in this state. With respect to a professional service  
11 limited liability company formed to provide professional engineering,  
12 land surveying, architectural, landscape architectural and/or geological  
13 services as such services are defined in article 145, article 147 and  
14 article 148 of the education law, each member of such limited liability  
15 company must be licensed pursuant to article 145, article 147 and/or  
16 article 148 of the education law to practice one or more of such  
17 professions in this state. With respect to a professional service  
18 limited liability company formed to provide public accountancy services  
19 as such services are defined in article 149 of the education law each  
20 member of such limited liability company whose principal place of busi-  
21 ness is in this state and who provides public accountancy services, must  
22 be licensed pursuant to article 149 of the education law to practice  
23 public accountancy in this state. With respect to a professional service  
24 limited liability company formed to provide licensed clinical social  
25 work services as such services are defined in article 154 of the educa-  
26 tion law, each member of such limited liability company shall be  
27 licensed pursuant to article 154 of the education law to practice  
28 licensed clinical social work in this state. With respect to a profes-  
29 sional service limited liability company formed to provide creative arts  
30 therapy services as such services are defined in article 163 of the  
31 education law, each member of such limited liability company must be  
32 licensed pursuant to article 163 of the education law to practice crea-  
33 tive arts therapy in this state. With respect to a professional service  
34 limited liability company formed to provide marriage and family therapy  
35 services as such services are defined in article 163 of the education  
36 law, each member of such limited liability company must be licensed  
37 pursuant to article 163 of the education law to practice marriage and  
38 family therapy in this state. With respect to a professional service  
39 limited liability company formed to provide mental health counseling  
40 services as such services are defined in article 163 of the education  
41 law, each member of such limited liability company must be licensed  
42 pursuant to article 163 of the education law to practice mental health  
43 counseling in this state. With respect to a professional service limited  
44 liability company formed to provide psychoanalysis services as such  
45 services are defined in article 163 of the education law, each member of  
46 such limited liability company must be licensed pursuant to article 163  
47 of the education law to practice psychoanalysis in this state. With  
48 respect to a professional service limited liability company formed to  
49 provide applied behavior analysis services as such services are defined  
50 in article 167 of the education law, each member of such limited liabil-  
51 ity company must be licensed or certified pursuant to article 167 of the  
52 education law to practice applied behavior analysis in this state.  
53 Notwithstanding any other provisions of law a professional service  
54 limited liability company formed to lawfully engage in the practice of  
55 public accountancy, as such practice is respectively defined under arti-  
56 cle 149 of the education law shall be required to show (1) that a simple

1 majority of the ownership of the firm, in terms of financial interests,  
2 including ownership-based compensation, and voting rights held by the  
3 firm's owners, belongs to individuals licensed to practice public  
4 accountancy in some state, and (2) that all members of a limited profes-  
5 sional service limited liability company, whose principal place of busi-  
6 ness is in this state, and who are engaged in the practice of public  
7 accountancy in this state, hold a valid license issued under section  
8 7404 of the education law or are public accountants licensed under  
9 section 7405 of the education law. Although firms may include non-licen-  
10 see owners, the firm and its owners must comply with rules promulgated  
11 by the state board of regents. Notwithstanding the foregoing, a firm  
12 registered under this section may not have non-licensee owners if the  
13 firm's name includes the words "certified public accountant," or "certi-  
14 fied public accountants," or the abbreviations "CPA" or "CPAs." Each  
15 non-licensee owner of a firm that is registered under this section shall  
16 be (1) a natural person who actively participates in the business of the  
17 firm or its affiliated entities, or (2) an entity, including, but not  
18 limited to, a partnership or professional corporation, provided each  
19 beneficial owner of an equity interest in such entity is a natural  
20 person who actively participates in the business conducted by the firm  
21 or its affiliated entities. For purposes of this subdivision, "actively  
22 participate" means to provide services to clients or to otherwise indi-  
23 vidually take part in the day-to-day business or management of the firm.

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

27 (a) "Foreign professional service limited liability company" means a  
28 professional service limited liability company, whether or not denomi-  
29 nated as such, organized under the laws of a jurisdiction other than  
30 this state, (i) each of whose members and managers, if any, is a profes-  
31 sional authorized by law to render a professional service within this  
32 state and who is or has been engaged in the practice of such profession  
33 in such professional service limited liability company or a predecessor  
34 entity, or will engage in the practice of such profession in the profes-  
35 sional service limited liability company within thirty days of the date  
36 such professional becomes a member, or each of whose members and manag-  
37 ers, if any, is a professional at least one of such members is author-  
38 ized by law to render a professional service within this state and who  
39 is or has been engaged in the practice of such profession in such  
40 professional service limited liability company or a predecessor entity,  
41 or will engage in the practice of such profession in the professional  
42 service limited liability company within thirty days of the date such  
43 professional becomes a member, or (ii) authorized by, or holding a  
44 license, certificate, registration or permit issued by the licensing  
45 authority pursuant to, the education law to render a professional  
46 service within this state; except that all members and managers, if any,  
47 of a foreign professional service limited liability company that  
48 provides health services in this state shall be licensed in this state.  
49 With respect to a foreign professional service limited liability company  
50 which provides veterinary services as such services are defined in arti-  
51 cle 135 of the education law, each member of such foreign professional  
52 service limited liability company shall be licensed pursuant to article  
53 135 of the education law to practice veterinary medicine. With respect  
54 to a foreign professional service limited liability company which  
55 provides medical services as such services are defined in article 131 of  
56 the education law, each member of such foreign professional service

1 limited liability company must be licensed pursuant to article 131 of  
2 the education law to practice medicine in this state. With respect to a  
3 foreign professional service limited liability company which provides  
4 dental services as such services are defined in article 133 of the  
5 education law, each member of such foreign professional service limited  
6 liability company must be licensed pursuant to article 133 of the educa-  
7 tion law to practice dentistry in this state. With respect to a foreign  
8 professional service limited liability company which provides profes-  
9 sional engineering, land surveying, geologic, architectural and/or land-  
10 scape architectural services as such services are defined in article  
11 145, article 147 and article 148 of the education law, each member of  
12 such foreign professional service limited liability company must be  
13 licensed pursuant to article 145, article 147 and/or article 148 of the  
14 education law to practice one or more of such professions in this state.  
15 With respect to a foreign professional service limited liability company  
16 which provides public accountancy services as such services are defined  
17 in article 149 of the education law, each member of such foreign profes-  
18 sional service limited liability company whose principal place of busi-  
19 ness is in this state and who provides public accountancy services,  
20 shall be licensed pursuant to article 149 of the education law to prac-  
21 tice public accountancy in this state. With respect to a foreign profes-  
22 sional service limited liability company which provides licensed clin-  
23 ical social work services as such services are defined in article 154 of  
24 the education law, each member of such foreign professional service  
25 limited liability company shall be licensed pursuant to article 154 of  
26 the education law to practice clinical social work in this state. With  
27 respect to a foreign professional service limited liability company  
28 which provides creative arts therapy services as such services are  
29 defined in article 163 of the education law, each member of such foreign  
30 professional service limited liability company must be licensed pursuant  
31 to article 163 of the education law to practice creative arts therapy in  
32 this state. With respect to a foreign professional service limited  
33 liability company which provides marriage and family therapy services as  
34 such services are defined in article 163 of the education law, each  
35 member of such foreign professional service limited liability company  
36 must be licensed pursuant to article 163 of the education law to prac-  
37 tice marriage and family therapy in this state. With respect to a  
38 foreign professional service limited liability company which provides  
39 mental health counseling services as such services are defined in arti-  
40 cle 163 of the education law, each member of such foreign professional  
41 service limited liability company must be licensed pursuant to article  
42 163 of the education law to practice mental health counseling in this  
43 state. With respect to a foreign professional service limited liability  
44 company which provides psychoanalysis services as such services are  
45 defined in article 163 of the education law, each member of such foreign  
46 professional service limited liability company must be licensed pursuant  
47 to article 163 of the education law to practice psychoanalysis in this  
48 state. With respect to a foreign professional service limited liability  
49 company which provides applied behavior analysis services as such  
50 services are defined in article 167 of the education law, each member of  
51 such foreign professional service limited liability company must be  
52 licensed or certified pursuant to article 167 of the education law to  
53 practice applied behavior analysis in this state. Notwithstanding any  
54 other provisions of law a foreign professional service limited liability  
55 company formed to lawfully engage in the practice of public accountancy,  
56 as such practice is respectively defined under article 149 of the educa-

1 tion law shall be required to show (1) that a simple majority of the  
2 ownership of the firm, in terms of financial interests, including owner-  
3 ship-based compensation, and voting rights held by the firm's owners,  
4 belongs to individuals licensed to practice public accountancy in some  
5 state, and (2) that all members of a foreign limited professional  
6 service limited liability company, whose principal place of business is  
7 in this state, and who are engaged in the practice of public accountancy  
8 in this state, hold a valid license issued under section 7404 of the  
9 education law or are public accountants licensed under section 7405 of  
10 the education law, Although firms may include non-licensee owners, the  
11 firm and its owners must comply with rules promulgated by the state  
12 board of regents. Notwithstanding the foregoing, a firm registered  
13 under this section may not have non-licensee owners if the firm's name  
14 includes the words "certified public accountant," or "certified public  
15 accountants," or the abbreviations "CPA" or "CPAs." Each non-licensee  
16 owner of a firm that is registered under this section shall be (1) a  
17 natural person who actively participates in the business of the firm or  
18 its affiliated entities, or (2) an entity, including, but not limited  
19 to, a partnership or professional corporation, provided each beneficial  
20 owner of an equity interest in such entity is a natural person who  
21 actively participates in the business conducted by the firm or its  
22 affiliated entities. For purposes of this subdivision, "actively partic-  
23 ipate" means to provide services to clients or to otherwise individually  
24 take part in the day-to-day business or management of the firm.

25 § 15. This act shall take effect immediately.