

STATE OF NEW YORK

8973

IN ASSEMBLY

January 9, 2018

Introduced by M. of A. PEOPLES-STOKES -- read once and referred 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
25 and its owners must comply with rules promulgated by the state board of
26 regents. Notwithstanding the provisions of this paragraph, a firm
27 incorporated under this section may not have non-licensee owners if the

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

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

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

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

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

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

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

30 (iv) the president, the chairperson of the board of directors and the
31 chief executive officer or officers are certified public accountants.
32 No shareholder of a 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 shall enter into a
35 voting trust agreement, proxy or any other type of agreement vesting in
36 another person, other than another shareholder of the same corporation,
37 the authority to exercise voting power of any or all of his or her
38 shares. All shares issued, agreements made or proxies granted in
39 violation of this section shall be void.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (iv) the president, the chairperson of the board of directors and the
2 chief executive officer or officers are and were certified public
3 accountants.

4 The statement shall be signed by the president or any certified public
5 accountant vice-president and attested to by the secretary or any
6 assistant secretary of the corporation.

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

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

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

47 (q) Each partner of a registered limited liability partnership formed
48 to provide medical services in this state must be licensed pursuant to
49 article 131 of the education law to practice medicine in this state and
50 each partner of a registered limited liability partnership formed to
51 provide dental services in this state must be licensed pursuant to arti-
52 cle 133 of the education law to practice dentistry in this state. Each
53 partner of a registered limited liability partnership formed to provide
54 veterinary services in this state must be licensed pursuant to article
55 135 of the education law to practice veterinary medicine in this state.
56 Each partner of a registered limited liability partnership formed to

provide public accountancy services, whose principal place of business is in this state and who provides public accountancy services, must be licensed pursuant to article 149 of the education law to practice public accountancy in this state. Each partner of a registered limited liability partnership formed to provide professional engineering, land surveying, geological services, architectural and/or landscape architectural services in this state 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. Each partner of a registered limited liability partnership formed to provide licensed clinical social work services in this state must be licensed pursuant to article 154 of the education law to practice clinical social work in this state. Each partner of a registered limited liability partnership formed to provide creative arts therapy services in this state must be licensed pursuant to article 163 of the education law to practice creative arts therapy in this state. Each partner of a registered limited liability partnership formed to provide marriage and family therapy services in this state must be licensed pursuant to article 163 of the education law to practice marriage and family therapy in this state. Each partner of a registered limited liability partnership formed to provide mental health counseling services in this state must be licensed pursuant to article 163 of the education law to practice mental health counseling in this state. Each partner of a registered limited liability partnership formed to provide psychoanalysis services in this state must be licensed pursuant to article 163 of the education law to practice psychoanalysis in this state. Each partner of a registered limited liability partnership formed to provide applied behavior analysis service in this state must be licensed or certified pursuant to article 167 of the education law to practice applied behavior analysis in this state. Notwithstanding any other provisions of law a limited liability 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 liability 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 7404 of the education law or are public accountants licensed under section 7405 of the education law. Although firms may include non-licensed 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 accounts," or the abbreviations "CPA" or "CPAs." Each non-licensee owner of a firm that is incorporated 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 (q) of section 121-1502 of the partnership law, as amended by chapter 475 of the laws of 2014, is amended to read as follows:

(q) Each partner of a foreign limited liability partnership which provides medical services in this state must be licensed pursuant to article 131 of the education law to practice medicine in the state and each partner of a foreign limited liability partnership which provides dental services in the state must be licensed pursuant to article 133 of the education law to practice dentistry in this state. Each partner of a foreign limited liability partnership which provides veterinary service in the state shall be licensed pursuant to article 135 of the education law to practice veterinary medicine in this state. Each partner of a foreign limited liability partnership which provides professional engineering, land surveying, geological services, architectural and/or landscape architectural services in this state 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.

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

Each partner of a foreign limited liability partnership which provides licensed clinical social work services in this state must be licensed pursuant to article 154 of the education law to practice licensed clinical social work in this state. Each partner of a foreign limited liability partnership which provides creative arts therapy services in this state must be licensed pursuant to article 163 of the education law to practice creative arts therapy in this state. Each partner of a foreign limited liability partnership which provides marriage and family therapy services in this state must be licensed pursuant to article 163 of the education law to practice marriage and family therapy in this state. Each partner of a foreign limited liability partnership which provides mental health counseling services in this state must be licensed pursuant to article 163 of the education law to practice mental health counseling in this state. Each partner of a foreign limited liability partnership which provides psychoanalysis services in this state must be licensed pursuant to article 163 of the education law to practice psychoanalysis in this state. Each partner of a foreign limited liability partnership which provides applied behavior analysis services in this state must be licensed or certified pursuant to article 167 of the education law to practice applied behavior analysis in this state.

Notwithstanding any other provisions of law a foreign limited liability 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 foreign limited liability 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 licence issued under section 7404 of the education law or are public accountants licensed under section 7405 of the education law. Although firms may include non-licensed owners, the firm and its owners must comply with rules promulgated by the state board of regents. Notwithstanding the foregoing, a firm

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

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

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

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

50 (b) With respect to a professional service limited liability company
51 formed to provide medical services as such services are defined in arti-
52 cle 131 of the education law, each member of such limited liability
53 company must be licensed pursuant to article 131 of the education law to
54 practice medicine in this state. With respect to a professional service
55 limited liability company formed to provide dental services as such
56 services are defined in article 133 of the education law, each member of

1 such limited liability company must be licensed pursuant to article 133
2 of the education law to practice dentistry in this state. With respect
3 to a professional service limited liability company formed to provide
4 veterinary services as such services are defined in article 135 of the
5 education law, each member of such limited liability company must be
6 licensed pursuant to article 135 of the education law to practice veter-
7 inary medicine in this state. With respect to a professional service
8 limited liability company formed to provide professional engineering,
9 land surveying, architectural, landscape architectural and/or geological
10 services as such services are defined in article 145, article 147 and
11 article 148 of the education law, each member of such limited liability
12 company must be licensed pursuant to article 145, article 147 and/or
13 article 148 of the education law to practice one or more of such
14 professions in this state.

15 With respect to a professional service
16 limited liability company formed to provide public accountancy services
17 as such services are defined in article 149 of the education law each
18 member of such limited liability company whose principal place of busi-
19 ness is in this state and who provides public accountancy services, must
20 be licensed pursuant to article 149 of the education law to practice
21 public accountancy in this state.

22 With respect to a professional service
23 limited liability company formed to provide licensed clinical social
24 work services as such services are defined in article 154 of the educa-
25 tion law, each member of such limited liability company shall be
26 licensed pursuant to article 154 of the education law to practice
27 licensed clinical social work in this state. With respect to a profes-
28 sional service limited liability company formed to provide creative arts
29 therapy services as such services are defined in article 163 of the
30 education law, each member of such limited liability company must be
31 licensed pursuant to article 163 of the education law to practice crea-
32 tive arts therapy in this state. With respect to a professional service
33 limited liability company formed to provide marriage and family therapy
34 services as such services are defined in article 163 of the education
35 law, each member of such limited liability company must be licensed
36 pursuant to article 163 of the education law to practice marriage and
37 family therapy in this state. With respect to a professional service
38 limited liability company formed to provide mental health counseling
39 services as such services are defined in article 163 of the education
40 law, each member of such limited liability company must be licensed
41 pursuant to article 163 of the education law to practice mental health
42 counseling in this state. With respect to a professional service limited
43 liability company formed to provide psychoanalysis services as such
44 services are defined in article 163 of the education law, each member of
45 such limited liability company must be licensed pursuant to article 163
46 of the education law to practice psychoanalysis in this state. With
47 respect to a professional service limited liability company formed to
48 provide applied behavior analysis services as such services are defined
49 in article 167 of the education law, each member of such limited liabil-
50 ity company must be licensed or certified pursuant to article 167 of the
51 education law to practice applied behavior analysis in this state.

52 Notwithstanding any other provisions of law a professional service
53 limited liability company formed to lawfully engage in the practice of
54 public accountancy, as such practice is respectively defined under arti-
55 cle 149 of the education law shall be required to show (1) that a simple
56 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

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

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

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

1 dental services as such services are defined in article 133 of the
2 education law, each member of such foreign professional service limited
3 liability company must be licensed pursuant to article 133 of the educa-
4 tion law to practice dentistry in this state. With respect to a foreign
5 professional service limited liability company which provides profes-
6 sional engineering, land surveying, geologic, architectural and/or land-
7 scape architectural services as such services are defined in article
8 145, article 147 and article 148 of the education law, each member of
9 such foreign professional service limited liability company must be
10 licensed pursuant to article 145, article 147 and/or article 148 of the
11 education law to practice one or more of such professions in this state.

12 With respect to a foreign professional service limited liability company
13 which provides public accountancy services as such services are defined
14 in article 149 of the education law, each member of such foreign profes-
15 sional service limited liability company whose principal place of busi-
16 ness is in this state and who provides public accountancy services,
17 shall be licensed pursuant to article 149 of the education law to prac-
18 tice public accountancy in this state. With respect to a foreign profes-

19 sional service limited liability company which provides licensed clin-
20 ical social work services as such services are defined in article 154 of
21 the education law, each member of such foreign professional service
22 limited liability company shall be licensed pursuant to article 154 of
23 the education law to practice clinical social work in this state. With
24 respect to a foreign professional service limited liability company
25 which provides creative arts therapy services as such services are
26 defined in article 163 of the education law, each member of such foreign
27 professional service limited liability company must be licensed pursuant
28 to article 163 of the education law to practice creative arts therapy in
29 this state. With respect to a foreign professional service limited
30 liability company which provides marriage and family therapy services as
31 such services are defined in article 163 of the education law, each
32 member of such foreign professional service limited liability company
33 must be licensed pursuant to article 163 of the education law to prac-
34 tice marriage and family therapy in this state. With respect to a
35 foreign professional service limited liability company which provides
36 mental health counseling services as such services are defined in arti-
37 cle 163 of the education law, each member of such foreign professional
38 service limited liability company must be licensed pursuant to article
39 163 of the education law to practice mental health counseling in this
40 state. With respect to a foreign professional service limited liability
41 company which provides psychoanalysis services as such services are
42 defined in article 163 of the education law, each member of such foreign
43 professional service limited liability company must be licensed pursuant
44 to article 163 of the education law to practice psychoanalysis in this
45 state. With respect to a foreign professional service limited liability
46 company which provides applied behavior analysis services as such
47 services are defined in article 167 of the education law, each member of
48 such foreign professional service limited liability company must be
49 licensed or certified pursuant to article 167 of the education law to
50 practice applied behavior analysis in this state. Notwithstanding any

51 other provisions of law a foreign professional service limited liability
52 company formed to lawfully engage in the practice of public accountancy,
53 as such practice is respectively defined under article 149 of the educa-
54 tion law shall be required to show (1) that a simple majority of the
55 ownership of the firm, in terms of financial interests, including owner-
56 ship-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 7404 of the education law or are public accountants licensed under section 7405 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.

§ 15. This act shall take effect immediately.