

STATE OF NEW YORK

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IN SENATE

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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

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

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

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

3 (h) Any firm established for the business purpose of incorporating as
4 a professional service corporation formed to lawfully engage in the
5 practice of public accountancy, as such practice is respectively defined
6 under article one hundred forty-nine of the education law shall be
7 required to show (1) that a simple majority of the ownership of the
8 firm, in terms of financial interests, and voting rights held by the
9 firm's owners, belongs to individuals licensed to practice public
10 accountancy in some state, and (2) that all shareholders of a profes-
11 sional service corporation whose principal place of business is in this
12 state, and who are engaged in the practice of public accountancy in this
13 state, hold a valid license issued under section seventy-four hundred
14 four of the education law. For purposes of this paragraph, "financial
15 interest" means capital stock, capital accounts, capital contributions,
16 capital interest, or interest in undistributed earnings of a business
17 entity. Although firms may include non-licensee owners, the firm and
18 its owners must comply with rules promulgated by the state board of
19 regents. Notwithstanding the foregoing, a firm incorporated under this

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

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

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

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

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

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

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

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

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

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

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

1 § 1509. Disqualification of shareholders, directors, officers and
2 employees.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 firm, in terms of financial interests, and voting rights held by the
2 firm's owners, belongs to individuals licensed to practice public
3 accountancy in some state, and (2) that all shareholders of a foreign
4 professional service corporation whose principal place of business is in
5 this state, and who are engaged in the practice of public accountancy in
6 this state, hold a valid license issued under section seventy-four
7 hundred four of the education law. For purposes of this paragraph,
8 "financial interest" means capital stock, capital accounts, capital
9 contributions, capital interest, or interest in undistributed earnings
10 of a business entity. Although firms may include non-licensee owners,
11 the 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 operating under this section shall be a natural
17 person who actively participates in the business of the firm or its
18 affiliated entities, provided each beneficial owner of an equity inter-
19 est in such entity is a natural person who actively participates in the
20 business conducted by the firm or its affiliated entities. For purposes
21 of this paragraph, "actively participate" means to provide services to
22 clients or to otherwise individually take part in the day-to-day busi-
23 ness or management of the firm.

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

27 (q) Each partner of a registered limited liability partnership formed
28 to provide medical services in this state must be licensed pursuant to
29 article 131 of the education law to practice medicine in this state and
30 each partner of a registered limited liability partnership formed to
31 provide dental services in this state must be licensed pursuant to arti-
32 cle 133 of the education law to practice dentistry in this state. Each
33 partner of a registered limited liability partnership formed to provide
34 veterinary services in this state must be licensed pursuant to article
35 135 of the education law to practice veterinary medicine in this state.
36 Each partner of a registered limited liability partnership formed to
37 provide public accountancy services, whose principal place of business
38 is in this state and who provides public accountancy services, must be
39 licensed pursuant to article 149 of the education law to practice public
40 accountancy in this state. Each partner of a registered limited liabil-
41 ity partnership formed to provide professional engineering, land survey-
42 ing, geological services, architectural and/or landscape architectural
43 services in this state must be licensed pursuant to article 145, article
44 147 and/or article 148 of the education law to practice one or more of
45 such professions in this state. Each partner of a registered limited
46 liability partnership formed to provide licensed clinical social work
47 services in this state must be licensed pursuant to article 154 of the
48 education law to practice clinical social work in this state. Each part-
49 ner of a registered limited liability partnership formed to provide
50 creative arts therapy services in this state must be licensed pursuant
51 to article 163 of the education law to practice creative arts therapy in
52 this state. Each partner of a registered limited liability partnership
53 formed to provide marriage and family therapy services in this state
54 must be licensed pursuant to article 163 of the education law to prac-
55 tice marriage and family therapy in this state. Each partner of a regis-
56 tered 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. 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, 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 seventy-four hundred four of the education law. For purposes of this subdivision, "financial interest" means capital stock, capital accounts, capital contributions, capital interest, or interest in undistributed earnings of a business entity. Although firms may include non-licensee owners, the firm and its owners must comply with rules promulgated by the state board of regents. Notwithstanding the foregoing, a firm registered under this section may not have non-licensee owners if the firm's name includes the words "certified public accountant," or "certified public accounts," or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is formed 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.

§ 9. 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

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

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

52 (h) "Limited partnership" and "domestic limited partnership" mean,
53 unless the context otherwise requires, a partnership (i) formed by two
54 or more persons pursuant to this article or which complies with subdivi-
55 sion (a) of section 121-1202 of this article and (ii) having one or more
56 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 professions in this state. With respect to a professional service limited liability company formed to provide public accountancy services as such services are defined in article 149 of the education law each member of such limited liability company whose principal place of business is in this state and who provides public accountancy services, must

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

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

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

6 § 13. This act shall take effect immediately.