

# 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 -- recommitted to the Committee on Higher Education in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

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

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

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

3 (h) Any firm established for the business purpose of incorporating as  
4 a professional service corporation formed to lawfully engage in the  
5 practice of public accountancy, as such practice is respectively defined  
6 under article one hundred forty-nine of the education law shall be  
7 required to show (1) that a simple majority of the ownership of the  
8 firm, in terms of financial interests, and voting rights held by the  
9 firm's owners, belongs to individuals licensed to practice public  
10 accountancy in some state, and (2) that all shareholders of a profes-  
11 sional service corporation whose principal place of business is in this  
12 state, and who are engaged in the practice of public accountancy in this  
13 state, hold a valid license issued under section seventy-four hundred  
14 four of the education law. For purposes of this paragraph, "financial

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

(h) "Limited partnership" and "domestic limited partnership" mean, unless the context otherwise requires, a partnership (i) formed by two or more persons pursuant to this article or which complies with subdivision (a) of section 121-1202 of this article and (ii) having one or more general partners and one or more limited partners. Notwithstanding any other provisions of law a limited partnership or domestic limited partnership formed to lawfully engage in the practice of public accountancy, as such practice is respectively defined under article 149 of the education law shall be required to show (1) that a simple majority of the ownership of the firm, in terms of financial interests, including ownership-based compensation, and voting rights held by the firm's owners, belongs to individuals licensed to practice public accountancy in some state, and (2) that all partners of a limited partnership or domestic limited partnership, whose principal place of business is in this state, and who are engaged in the practice of public accountancy in this state, hold a valid license issued under section seventy-four hundred four of the education law or are public accountants licensed under section seventy-four hundred five of the education law. Although firms may include non-licensee owners, the firm and its owners must comply with rules promulgated by the state board of regents. Notwithstanding the foregoing, a firm registered under this section may not have non-licensee owners if the firm's name includes the words "certified public accountant," or "certified public accountants," or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is registered under this section shall be (1) a natural person who actively participates in the business of the firm or its affiliated entities, or (2) an entity, including, but not limited to, a partnership or professional corporation, provided each beneficial owner of an equity interest in such entity is a natural person who actively participates in the business conducted by the firm or its affiliated entities. For purposes of this subdivision, "actively participate" means to provide services to clients or to otherwise individually take part in the day-to-day business or management of the firm.

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

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



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

actively participates in the business of the firm or its affiliated entities, or (2) an entity, including, but not limited to, a partnership or professional corporation, provided each beneficial owner of an equity interest in such entity is a natural person who actively participates in the business conducted by the firm or its affiliated entities. For purposes of this subdivision, "actively participate" means to provide services to clients or to otherwise individually take part in the day-to-day business or management of the firm.

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

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

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

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

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

16 § 14. This act shall take effect immediately.