2919--A

2019-2020 Regular Sessions

## IN ASSEMBLY

January 28, 2019

- Introduced by M. of A. PEOPLES-STOKES, WRIGHT, TAYLOR, JAFFEE, MAGNAREL-LI, BENEDETTO, DICKENS, ENGLEBRIGHT, RIVERA, MORINELLO, JEAN-PIERRE, DE LA ROSA, SEAWRIGHT, D'URSO, LAWRENCE, COOK, BLAKE, L. ROSENTHAL, PERRY, LUPARDO, GOTTFRIED, BRONSON, LENTOL, ABBATE, RICHARDSON, DILAN, KIM, MOSLEY, CRESPO, PHEFFER AMATO, DINOWITZ, RODRIGUEZ, PRETLOW, NIOU, ROZIC, D. ROSENTHAL, JOYNER, HUNTER, PICHARDO, SOLAGES, HEVESI, HYNDMAN, GALEF, DenDEKKER, GUNTHER, STIRPE, BUCHWALD, WOERNER, TITUS, CUSICK, QUART, SCHIMMINGER, FAHY, SANTABARBARA, BICHOTTE, WEPRIN, LAVINE, McDONALD, CYMBROWITZ, WALCZYK, ROMEO, VANEL, ZEBROWSKI, WALLACE, PAULIN, EICHENSTEIN, CARROLL, FALL, REYES, ORTIZ, WALKER, RYAN, FERNANDEZ, SAYEGH, McMAHON -- Multi-Sponsored by -- M. of A. BARCLAY, CROUCH, DAVILA, GIGLIO, GOODELL, M. L. MILLER, THIELE -- read once and referred to the Committee on Higher Education -- 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

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

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and who are engaged in the practice of public accountancy in this hold a valid license issued under section seventy-four hundred the education law. For purposes of this paragraph, "financial
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the education law. For purposes of this paragraph, financial
t" means capital stock, capital accounts, capital contributions,
interest, or interest in undistributed earnings of a business
Although firms may include non-licensee owners, the firm and
ers must comply with rules promulgated by the state board of
. Notwithstanding the foregoing, a firm incorporated under this
may not have non-licensee owners if the firm's name includes the
certified public accountant," or "certified public accountants,"
abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm
s incorporated under this section shall be a natural person who
y participates in the business of the firm or its affiliated
s. For purposes of this subdivision, "actively participate" means
ide services to clients or to otherwise individually take part in
y-to-day business or management of the firm. Such a firm shall
tached to its certificate of incorporation a certificate or
cates demonstrating the firm's compliance with this paragraph, in
the certificate or certificates required by subparagraph (ii) of
ph (b) of this section.
Section 1507 of the business corporation law is amended by adding
aragraph (c) to read as follows:
Any firm established for the business purpose of incorporating as
ssional service corporation pursuant to paragraph (h) of section
hundred three of this article may issue shares to individuals
authorized by law to practice in this state the profession which
rporation is authorized to practice and who are or have been
in the practice of such profession in such corporation or a
ssor entity, or who will engage in the practice of such profes-
n such corporation within thirty days of the date such shares are
n such corporation within thirty days of the date such shares are and may also issue shares to employees of the corporation not
n such corporation within thirty days of the date such shares are and may also issue shares to employees of the corporation not d as certified public accountants, provided that:
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1 the chairperson of the board of directors and the chief executive officer or officers are authorized by law to practice in any state the profession which such corporation is authorized to practice, and are either shareholders of such corporation or engaged in the practice of their professions in such corporation. § 4. Section 1509 of the business corporation law, as amended by chapter 550 of the laws of 2011, is amended to read as follows: § 1509. Disqualification of shareholders, directors, officers employees. any shareholder, director, officer or employee of a professional service corporation, including a design professional service corporation, who has been rendering professional service to the public becomes legally disqualified to practice his or her profession within this state, he or she shall sever all employment with, and financial interests (other than interests as a creditor) in, such corporation forthwith or as otherwise provided in section 1510 of this article. All provisions of law regulating the rendering of professional services by a

17 18 person elected or appointed to a public office shall be applicable to a 19 shareholder, director, officer and employee of such corporation in the 20 same manner and to the same extent as if fully set forth herein. Such 21 legal disqualification to practice his or her profession within this state shall be deemed to constitute an irrevocable offer by the disqual-22 ified shareholder to sell his or her shares to the corporation, pursuant 23 to the provisions of section 1510 of this article or of the certificate 24 25 of incorporation, by-laws or agreement among the corporation and all 26 shareholders, whichever is applicable. Compliance with the terms of such 27 offer shall be specifically enforceable in the courts of this state. A professional service corporation's failure to enforce compliance with 28 29 this provision shall constitute a ground for forfeiture of its certif-30 icate of incorporation and its dissolution.

31 § 5. Paragraph (a) of section 1511 of the business corporation law, as 32 amended by chapter 550 of the laws of 2011, is amended and a new para-33 graph (c) is added to read as follows:

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

and

shares held by the shareholder proposing to sell or transfer his or her 1 2 shares may not be voted or counted for any purpose, unless all shareholders consent that such shares be voted or counted. The certificate of 3 incorporation or the by-laws of the professional service corporation, or 4 5 the professional service corporation and the shareholders by private б agreement, may provide, in lieu of or in addition to the foregoing provisions, for the alienation of shares and may require the redemption 7 8 or purchase of such shares by such corporation at prices and in a manner 9 specifically set forth therein. The existence of the restrictions on the 10 sale or transfer of shares, as contained in this article and, if appli-11 cable, in the certificate of incorporation, by-laws, stock purchase or stock redemption agreement, shall be noted conspicuously on the face or 12 back of every certificate for shares issued by a professional service 13 14 corporation. Any sale or transfer in violation of such restrictions 15 shall be void.

16 (c) A firm established for the business purpose of incorporating as a 17 professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article, shall purchase or redeem the 18 19 shares of a non-licensed professional shareholder in the case of his or 20 her termination of employment within thirty days after such termination. 21 firm established for the business purpose of incorporating as a А professional service corporation pursuant to paragraph (h) of section 22 fifteen hundred three of this article, shall not be required to purchase 23 or redeem the shares of a terminated non-licensed professional share-24 25 holder if such shares, within thirty days after such termination, are 26 sold or transferred to another employee of the corporation pursuant to 27 this article.

28 § 6. Section 1514 of the business corporation law is amended by adding 29 a new paragraph (c) to read as follows:

30 (c) Each firm established for the business purpose of incorporating as 31 a professional service corporation pursuant to paragraph (h) of section 32 fifteen hundred three of this article shall, at least once every three 33 years on or before the date prescribed by the licensing authority, furnish a statement to the licensing authority listing the names and 34 35 residence addresses of each shareholder, director and officer of such 36 corporation and certify as the date of certification and at all times 37 over the entire three year period that:

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

40 (ii) at least fifty-one percent of the directors are and were certi-41 fied public accountants,

42 (iii) at least fifty-one percent of the officers are and were certi-43 fied public accountants,

44 (iv) the president, the chairperson of the board of directors and the 45 chief executive officer or officers are and were certified public 46 accountants.

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

50 § 7. Paragraph (d) of section 1525 of the business corporation law, as 51 added by chapter 505 of the laws of 1983, is amended to read as follows: 52 (d) "Foreign professional service corporation" means a professional 53 service corporation, whether or not denominated as such, organized under 54 the laws of a jurisdiction other than this state, all of the sharehold-55 ers, directors and officers of which are authorized and licensed to 56 practice the profession for which such corporation is licensed to do

business; except that all shareholders, directors and officers of a 1 2 foreign professional service corporation which provides health services in this state shall be licensed in this state. A foreign professional 3 4 service corporation formed to lawfully engage in the practice of public 5 accountancy, as such practice is defined under article one hundred б forty-nine of the education law, or equivalent state law, shall be required to show (1) that a simple majority of the ownership of the 7 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 foreign 11 professional service corporation whose principal place of business is in this state, and who are engaged in the practice of public accountancy in 12 this state, hold a valid license issued under section seventy-four 13 14 hundred four of the education law. For purposes of this paragraph, 15 "financial interest" means capital stock, capital accounts, capital 16 contributions, capital interest, or interest in undistributed earnings 17 of a business entity. Although firms may include non-licensee owners, the firm and its owners must comply with rules promulgated by the state 18 board of regents. Notwithstanding the foregoing, a firm registered 19 20 under this section may not have non-licensee owners if the firm's name 21 includes the words "certified public accountant," or "certified public accountants," or the abbreviations "CPA" or "CPAs". Each non-licensee 22 owner of a firm that is operating under this section shall be a natural 23 24 person who actively participates in the business of the firm or its affiliated entities, provided each beneficial owner of an equity inter-25 26 est in such entity is a natural person who actively participates in the 27 business conducted by the firm or its affiliated entities. For purposes 28 of this paragraph, "actively participate" means to provide services to 29 clients or to otherwise individually take part in the day-to-day busi-30 ness or management of the firm. 31 S 8. Subdivision (q) of section 121-1500 of the partnership law, as 32 amended by chapter 475 of the laws of 2014, is amended to read as 33 follows:

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

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

44 § 9. Subdivision (q) of section 121-1502 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 foreign limited liability partnership which provides medical services in this state must be licensed pursuant to 48 article 131 of the education law to practice medicine in the state and 49 50 each partner of a foreign limited liability partnership which provides 51 dental services in the state must be licensed pursuant to article 133 of 52 the education law to practice dentistry in this state. Each partner of a 53 foreign limited liability partnership which provides veterinary service 54 in the state shall be licensed pursuant to article 135 of the education 55 law to practice veterinary medicine in this state. Each partner of a 56 foreign limited liability partnership which provides professional engi-

neering, land surveying, geological services, architectural and/or land-1 2 scape architectural services in this state must be licensed pursuant to article 145, article 147 and/or article 148 of the education law to 3 4 practice one or more of such professions. Each partner of a foreign 5 registered limited liability partnership formed to provide public б accountancy services, whose principal place of business is in this state 7 and who provides public accountancy services, must be licensed pursuant 8 to article 149 of the education law to practice public accountancy in 9 this state. Each partner of a foreign limited liability partnership 10 which provides licensed clinical social work services in this state must 11 be licensed pursuant to article 154 of the education law to practice licensed clinical social work in this state. Each partner of a foreign 12 13 limited liability partnership which provides creative arts therapy 14 services in this state must be licensed pursuant to article 163 of the 15 education law to practice creative arts therapy in this state. Each 16 partner of a foreign limited liability partnership which provides 17 marriage and family therapy services in this state must be licensed pursuant to article 163 of the education law to practice marriage and 18 19 family therapy in this state. Each partner of a foreign limited liabil-20 ity partnership which provides mental health counseling services in this 21 state must be licensed pursuant to article 163 of the education law to practice mental health counseling in this state. Each partner of a 22 foreign limited liability partnership which provides psychoanalysis 23 24 services in this state must be licensed pursuant to article 163 of the 25 education law to practice psychoanalysis in this state. Each partner of 26 a foreign limited liability partnership which provides applied behavior 27 analysis services in this state must be licensed or certified pursuant 28 to article 167 of the education law to practice applied behavior analysis in this state. 29 A foreign limited liability partnership formed to 30 lawfully engage in the practice of public accountancy, as such practice 31 is respectively defined under article 149 of the education law, shall be 32 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 33 firm's owners, belongs to individuals licensed to practice public 34 35 accountancy in some state, and (2) that all partners of a foreign limit-36 ed liability partnership whose principal place of business is in this 37 state, and who are engaged in the practice of public accountancy in this 38 state, hold a valid license issued under section seventy-four hundred four of the education law. For purposes of this subdivision, "financial 39 interest" means capital stock, capital accounts, capital contributions, 40 41 capital interest, or interest in undistributed earnings of a business 42 entity. Although firms may include non-licensee owners, the firm and 43 its owners must comply with rules promulgated by the state board of regents. Notwithstanding the foregoing, a firm registered under this 44 45 section may not have non-licensee owners if the firm's name includes the 46 words "certified public accountant," or "certified public accountants," 47 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 48 49 actively participates in the business of the firm or its affiliated entities, or (2) an entity, including, but not limited to, a partnership 50 51 or professional corporation, provided each beneficial owner of an equity 52 interest in such entity is a natural person who actively participates in 53 the business conducted by the firm or its affiliated entities. For 54 purposes of this subdivision, "actively participate" means to provide 55 services to clients or to otherwise individually take part in the day-56 to-day business or management of the firm.

§ 10. Subdivision (h) of section 121-101 of the partnership law, as 1 2 added by chapter 950 of the laws of 1990, is amended to read as follows: (h) "Limited partnership" and "domestic limited partnership" mean, 3 4 unless the context otherwise requires, a partnership (i) formed by two 5 or more persons pursuant to this article or which complies with subdiviб sion (a) of section 121-1202 of this article and (ii) having one or more 7 general partners and one or more limited partners. Notwithstanding any 8 other provisions of law a limited partnership or domestic limited part-9 nership formed to lawfully engage in the practice of public accountancy, 10 as such practice is respectively defined under article 149 of the educa-11 tion law shall be required to show (1) that a simple majority of the ownership of the firm, in terms of financial interests, including owner-12 13 ship-based compensation, and voting rights held by the firm's owners, 14 belongs to individuals licensed to practice public accountancy in some 15 state, and (2) that all partners of a limited partnership or domestic 16 limited partnership, whose principal place of business is in this state, 17 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 18 19 the education law or are public accountants licensed under section 20 seventy-four hundred five of the education law. Although firms may 21 include non-licensee owners, the firm and its owners must comply with rules promulgated by the state board of regents. Notwithstanding the 22 foregoing, a firm registered under this section may not have non-licen-23 24 see owners if the firm's name includes the words "certified public 25 accountant," or "certified public accountants," or the abbreviations 26 "CPA" or "CPAs". Each non-licensee owner of a firm that is registered 27 under this section shall be (1) a natural person who actively partic-28 ipates in the business of the firm or its affiliated entities, or (2) an entity, including, but not limited to, a partnership or professional 29 30 corporation, provided each beneficial owner of an equity interest in 31 such entity is a natural person who actively participates in the busi-32 ness conducted by the firm or its affiliated entities. For purposes of 33 this subdivision, "actively participate" means to provide services to 34 clients or to otherwise individually take part in the day-to-day busi-35 ness or management of the firm.

36 § 11. Subdivision (b) of section 1207 of the limited liability company 37 law, as amended by chapter 475 of the laws of 2014, is amended to read 38 as follows:

(b) With respect to a professional service limited liability company 39 40 formed to provide medical services as such services are defined in article 131 of the education law, each member of such limited liability 41 42 company must be licensed pursuant to article 131 of the education law to 43 practice medicine in this state. With respect to a professional service limited liability company formed to provide dental services as such 44 services are defined in article 133 of the education law, each member of 45 46 such limited liability company must be licensed pursuant to article 133 47 of the education law to practice dentistry in this state. With respect to a professional service limited liability company formed to provide 48 49 veterinary services as such services are defined in article 135 of the education law, each member of such limited liability company must be 50 51 licensed pursuant to article 135 of the education law to practice veter-52 inary medicine in this state. With respect to a professional service 53 limited liability company formed to provide professional engineering, 54 land surveying, architectural, landscape architectural and/or geological 55 services as such services are defined in article 145, article 147 and 56 article 148 of the education law, each member of such limited liability

company must be licensed pursuant to article 145, article 147 and/or 1 148 of the education law to practice one or more of such 2 article 3 professions in this state. With respect to a professional service limited liability company formed to provide public accountancy services 4 5 as such services are defined in article 149 of the education law each б member of such limited liability company whose principal place of busi-7 ness is in this state and who provides public accountancy services, must 8 be licensed pursuant to article 149 of the education law to practice 9 public accountancy in this state. With respect to a professional service 10 limited liability company formed to provide licensed clinical social 11 work services as such services are defined in article 154 of the education law, each member of such limited liability company shall be 12 licensed pursuant to article 154 of the education law to practice 13 14 licensed clinical social work in this state. With respect to a profes-15 sional service limited liability company formed to provide creative arts 16 therapy services as such services are defined in article 163 of the 17 education law, each member of such limited liability company must be 18 licensed pursuant to article 163 of the education law to practice creative arts therapy in this state. With respect to a professional service 19 20 limited liability company formed to provide marriage and family therapy 21 services as such services are defined in article 163 of the education law, each member of such limited liability company must be licensed 22 pursuant to article 163 of the education law to practice marriage and 23 24 family therapy in this state. With respect to a professional service 25 limited liability company formed to provide mental health counseling 26 services as such services are defined in article 163 of the education 27 law, each member of such limited liability company must be licensed pursuant to article 163 of the education law to practice mental health 28 29 counseling in this state. With respect to a professional service limited 30 liability company formed to provide psychoanalysis services as such 31 services are defined in article 163 of the education law, each member of 32 such limited liability company must be licensed pursuant to article 163 33 the education law to practice psychoanalysis in this state. With of 34 respect to a professional service limited liability company formed to 35 provide applied behavior analysis services as such services are defined 36 in article 167 of the education law, each member of such limited liabil-37 ity company must be licensed or certified pursuant to article 167 of the 38 education law to practice applied behavior analysis in this state. A 39 professional service limited liability company formed to lawfully engage 40 in the practice of public accountancy, as such practice is respectively 41 defined under article 149 of the education law shall be required to show 42 (1) that a simple majority of the ownership of the firm, in terms of 43 financial interests, and voting rights held by the firm's owners, 44 belongs to individuals licensed to practice public accountancy in some 45 state, and (2) that all members of a limited professional service limit-46 ed liability company, whose principal place of business is in this 47 state, and who are engaged in the practice of public accountancy in this state, hold a valid license issued under section seventy-four hundred 48 four of the education law. For purposes of this subdivision, "financial 49 interest" means capital stock, capital accounts, capital contributions, 50 51 capital interest, or interest in undistributed earnings of a business 52 entity. Although firms may include non-licensee owners, the firm and 53 its owners must comply with rules promulgated by the state board of 54 regents. Notwithstanding the foregoing, a firm registered under this section may not have non-licensee owners if the firm's name includes the 55 56 words "certified public accountant," or "certified public accountants,"

or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm 1 that is registered under this section shall be (1) a natural person who 2 actively participates in the business of the firm or its affiliated 3 4 entities, or (2) an entity, including, but not limited to, a partnership 5 or professional corporation, provided each beneficial owner of an equity б 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 7 8 9 services to clients or to otherwise individually take part in the day-10 to-day business or management of the firm.

11 § 12. Subdivision (a) of section 1301 of the limited liability company 12 law, as amended by chapter 475 of the laws of 2014, is amended to read 13 as follows:

14 "Foreign professional service limited liability company" means a (a) 15 professional service limited liability company, whether or not denomi-16 nated as such, organized under the laws of a jurisdiction other than 17 this state, (i) each of whose members and managers, if any, is a professional authorized by law to render a professional service within this 18 state and who is or has been engaged in the practice of such profession 19 20 in such professional service limited liability company or a predecessor 21 entity, or will engage in the practice of such profession in the professional service limited liability company within thirty days of the date 22 such professional becomes a member, or each of whose members and manag-23 if any, is a professional at least one of such members is author-24 ers, ized by law to render a professional service within this state and who 25 26 is or has been engaged in the practice of such profession in such 27 professional service limited liability company or a predecessor entity, 28 or will engage in the practice of such profession in the professional 29 service limited liability company within thirty days of the date such 30 professional becomes a member, or (ii) authorized by, or holding a 31 license, certificate, registration or permit issued by the licensing 32 authority pursuant to, the education law to render a professional 33 service within this state; except that all members and managers, if any, of a foreign professional service limited liability company that 34 provides health services in this state shall be licensed in this state. 35 36 With respect to a foreign professional service limited liability company 37 which provides veterinary services as such services are defined in arti-38 cle 135 of the education law, each member of such foreign professional 39 service limited liability company shall be licensed pursuant to article 135 of the education law to practice veterinary medicine. With respect 40 a foreign professional service limited liability company which 41 to 42 provides medical services as such services are defined in article 131 of 43 the education law, each member of such foreign professional service 44 limited liability company must be licensed pursuant to article 131 of 45 the education law to practice medicine in this state. With respect to a 46 foreign professional service limited liability company which provides 47 dental services as such services are defined in article 133 of the education law, each member of such foreign professional service limited 48 liability company must be licensed pursuant to article 133 of the educa-49 tion law to practice dentistry in this state. With respect to a foreign 50 51 professional service limited liability company which provides profes-52 sional engineering, land surveying, geologic, architectural and/or land-53 scape architectural services as such services are defined in article 145, article 147 and article 148 of the education law, each member of 54 such foreign professional service limited liability company must be 55 56 licensed pursuant to article 145, article 147 and/or article 148 of the

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education law to practice one or more of such professions in this state. 1 2 With respect to a foreign professional service limited liability company 3 which provides public accountancy services as such services are defined 4 in article 149 of the education law, each member of such foreign profes-5 sional service limited liability company whose principal place of busiб ness is in this state and who provides public accountancy services, 7 shall be licensed pursuant to article 149 of the education law to prac-8 tice public accountancy in this state. With respect to a foreign profes-9 sional service limited liability company which provides licensed clin-10 ical social work services as such services are defined in article 154 of 11 the education law, each member of such foreign professional service limited liability company shall be licensed pursuant to article 154 of 12 13 the education law to practice clinical social work in this state. With 14 respect to a foreign professional service limited liability company 15 which provides creative arts therapy services as such services are 16 defined in article 163 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant 17 18 to article 163 of the education law to practice creative arts therapy in 19 this state. With respect to a foreign professional service limited 20 liability company which provides marriage and family therapy services as 21 such services are defined in article 163 of the education law, each 22 member of such foreign professional service limited liability company 23 must be licensed pursuant to article 163 of the education law to prac-24 tice marriage and family therapy in this state. With respect to a 25 foreign professional service limited liability company which provides 26 mental health counseling services as such services are defined in arti-27 cle 163 of the education law, each member of such foreign professional 28 service limited liability company must be licensed pursuant to article 29 163 of the education law to practice mental health counseling in this 30 state. With respect to a foreign professional service limited liability 31 company which provides psychoanalysis services as such services are 32 defined in article 163 of the education law, each member of such foreign 33 professional service limited liability company must be licensed pursuant 34 to article 163 of the education law to practice psychoanalysis in this 35 state. With respect to a foreign professional service limited liability 36 company which provides applied behavior analysis services as such 37 services are defined in article 167 of the education law, each member of 38 such foreign professional service limited liability company must be licensed or certified pursuant to article 167 of the education law to 39 practice applied behavior analysis in this state. A foreign professional 40 41 service limited liability company formed to lawfully engage in the prac-42 tice of public accountancy, as such practice is respectively defined 43 under article 149 of the education law shall be required to show (1) 44 that a simple majority of the ownership of the firm, in terms of finan-45 cial interests, and voting rights held by the firm's owners, belongs to 46 individuals licensed to practice public accountancy in some state, and 47 (2) that all members of a foreign limited professional service limited 48 liability company, whose principal place of business is in this state, 49 and who are engaged in the practice of public accountancy in this state, 50 hold a valid license issued under section seventy-four hundred four of 51 the education law. For purposes of this subdivision, "financial inter-52 est" means capital stock, capital accounts, capital contributions, capi-53 tal interest, or interest in undistributed earnings of a business enti-54 Although firms may include non-licensee owners, the firm and its ty. 55 owners must comply with rules promulgated by the state board of regents. 56 Notwithstanding the foregoing, a firm registered under this section may

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

- 12 <u>ness or management of the firm.</u>
  13 § 13. This act shall take effect immediately.