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Introduced by M. of A. PEOPLES-STOKES, WRIGHT, TAYLOR, JAFFEE, MAGNARELLI, 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, PHEFFER AMATO, DINOWITZ, RODRIGUEZ, PRETLOW, NIOU, ROZIC, D. ROSENTHAL, JOYNER, HUNTER, PICHARDO, SOLAGES, HEVESI, HYNDMAN, GALEF, DenDEKKER, GUNTHER, STIRPE, BUCHWALD, WOERNER, CUSICK, QUART, SCHIMMINGER, FAHY, SANTABARBARA, BICHOTTE, WEPRIN, LAVINE, McDONALD, CYMBROWITZ, WALCZYK, VANEL, ZEBROWSKI, WALLACE, PAULIN, EICHENSTEIN, CARROLL, FALL, REYES, ORTIZ, WALKER, RYAN, FERNANDEZ, SAYEGH, McMAHON, BARNWELL, BARRETT, BUTTENSCHON, ARROYO, COLTON, BARRON, DARLING, BRAUNSTEIN, STERN, CAHILL, GRIFFIN, RAMOS, JONES, BURKE -- 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 -- recommitted to the Committee on Higher Education in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- again reported from said committee with amendments, 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

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

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

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

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

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

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

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

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

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

(c) The directors and officers of any firm established for the business purpose of incorporating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article may include individuals who are not licensed to practice public accountancy, provided however that at least fifty-one percent of the directors, at least fifty-one percent of the officers and the president, 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 and employees.

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

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

(a) No shareholder of a professional service corporation [~~ex~~], including a design professional service corporation, may sell or transfer his or her shares in such corporation except to another individual who is eligible to have shares issued to him or her by such corporation or except in trust to another individual who would be eligible to receive shares if he or she were employed by the corporation. Nothing herein contained shall be construed to prohibit the transfer of shares by operation of law or by court decree. No transferee of shares by operation 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 this chapter. The restriction in the preceding sentence shall not apply, however, where such transferee would be eligible to have shares issued to him or her if he or she were an employee of the corporation and, if there are other shareholders, a majority of such other shareholders shall fail to redeem the shares so transferred, pursuant to section 1510 of this article, within sixty days of receiving written notice of such transfer. Any sale or transfer, except by operation of law or court

1 decree or except for a corporation having only one shareholder, may be
2 made only after the same shall have been approved by the board of direc-
3 tors, or at a shareholders' meeting specially called for such purpose by
4 such proportion, not less than a majority, of the outstanding shares as
5 may be provided in the certificate of incorporation or in the by-laws of
6 such professional service corporation. At such shareholders' meeting the
7 shares held by the shareholder proposing to sell or transfer his or her
8 shares may not be voted or counted for any purpose, unless all share-
9 holders consent that such shares be voted or counted. The certificate of
10 incorporation or the by-laws of the professional service corporation, or
11 the professional service corporation and the shareholders by private
12 agreement, may provide, in lieu of or in addition to the foregoing
13 provisions, for the alienation of shares and may require the redemption
14 or purchase of such shares by such corporation at prices and in a manner
15 specifically set forth therein. The existence of the restrictions on the
16 sale or transfer of shares, as contained in this article and, if appli-
17 cable, in the certificate of incorporation, by-laws, stock purchase or
18 stock redemption agreement, shall be noted conspicuously on the face or
19 back of every certificate for shares issued by a professional service
20 corporation. Any sale or transfer in violation of such restrictions
21 shall be void.

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

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

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

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

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

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

50 (iv) the president, the chairperson of the board of directors and the
51 chief executive officer or officers are and were certified public
52 accountants.

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

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

(d) "Foreign professional service corporation" means a professional service corporation, whether or not denominated as such, organized under the laws of a jurisdiction other than this state, all of the shareholders, directors and officers of which are authorized and licensed to practice the profession for which such corporation is licensed to do business; except that all shareholders, directors and officers of a foreign professional service corporation which provides health services in this state shall be licensed in this state. A foreign professional service corporation formed to lawfully engage in the practice of public accountancy, as such practice is defined under article one hundred 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 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 shareholders of a foreign professional service corporation 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 paragraph, "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 operating under this section shall be a natural person who actively participates in the business of the firm or its affiliated entities, 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 paragraph, "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.

§ 8. Subdivision (q) of section 121-1500 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 registered limited liability partnership formed to provide medical services in this state must be licensed pursuant to article 131 of the education law to practice medicine in this state and each partner of a registered limited liability partnership formed to provide dental services in this state must be licensed pursuant to article 133 of the education law to practice dentistry in this state. Each partner of a registered limited liability partnership formed to provide veterinary services in this state must be licensed pursuant to article 135 of the education law to practice veterinary medicine in this state. Each partner of a registered limited liability partnership formed to provide public accountancy services, whose principal place of business is in this state and who provides public accountancy services, must be licensed pursuant to article 149 of the education law to practice public accountancy in this state. Each partner of a registered limited liability partnership formed to provide professional engineering, land surveying, geological services, architectural and/or landscape architectural

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

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

54 (q) Each partner of a foreign limited liability partnership which
55 provides medical services in this state must be licensed pursuant to
56 article 131 of the education law to practice medicine in the state and

1 each partner of a foreign limited liability partnership which provides
2 dental services in the state must be licensed pursuant to article 133 of
3 the education law to practice dentistry in this state. Each partner of a
4 foreign limited liability partnership which provides veterinary service
5 in the state shall be licensed pursuant to article 135 of the education
6 law to practice veterinary medicine in this state. Each partner of a
7 foreign limited liability partnership which provides professional engi-
8 neering, land surveying, geological services, architectural and/or land-
9 scape architectural services in this state must be licensed pursuant to
10 article 145, article 147 and/or article 148 of the education law to
11 practice one or more of such professions.

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

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

A foreign limited liability partnership formed to lawfully engage in the practice of public accountancy, as such practice is respectively defined under article 149 of the education law, shall be required to show (1) that a simple majority of the ownership of the firm, in terms of financial interests, and voting rights held by the firm's owners, belongs to individuals licensed to practice public accountancy in some state, and (2) that all partners of a foreign limited liability partnership whose principal place of business is in this state, and who are engaged in the practice of public accountancy in this state, hold a valid 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 formed under this section shall be (1) a natural person who actively participates in the business of the firm or its affiliated

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

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

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

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

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

tion 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 practice public accountancy in this state.

With respect to a foreign professional service limited liability company which provides licensed clinical social work services as such services are defined in article 154 of the education law, each member of such foreign professional service limited liability company shall be licensed pursuant to article 154 of the education law to practice clinical social work in this state. With respect to a foreign professional service limited liability company which provides creative arts therapy services as such services are defined in article 163 of the education law, each member of such foreign professional service 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 foreign professional service limited liability company which provides marriage and family therapy services as such services are defined in article 163 of the education law, each member of such foreign professional service 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 foreign professional service limited liability company which provides mental health counseling services as such services are defined in article 163 of the education law, each member of such foreign professional service 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 foreign professional service limited liability company which provides psychoanalysis services as such services are defined in article 163 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 163 of the education law to practice psychoanalysis in this state. With respect to a foreign professional service limited liability company which provides applied behavior analysis services as such services are defined in article 167 of the education law, each member of such foreign professional service 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 foreign 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 foreign limited professional service limited liability company, whose principal place of business is in this state, and who are engaged in the practice of public accountancy in this state,

1 hold a valid license issued under section seventy-four hundred four of
2 the education law. For purposes of this subdivision, "financial inter-
3 est" means capital stock, capital accounts, capital contributions, capi-
4 tal interest, or interest in undistributed earnings of a business enti-
5 ty. Although firms may include non-licensee owners, the firm and its
6 owners must comply with rules promulgated by the state board of regents.
7 Notwithstanding the foregoing, a firm registered under this section may
8 not have non-licensee owners if the firm's name includes the words
9 "certified public accountant," or "certified public accountants," or the
10 abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is
11 registered under this section shall be (1) a natural person who actively
12 participates in the business of the firm or its affiliated entities, or
13 (2) an entity, including, but not limited to, a partnership or profes-
14 sional corporation, provided each beneficial owner of an equity interest
15 in such entity is a natural person who actively participates in the
16 business conducted by the firm or its affiliated entities. For purposes
17 of this subdivision, "actively participate" means to provide services to
18 clients or to otherwise individually take part in the day-to-day busi-
19 ness or management of the firm.

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

25 § 14. This act shall take effect immediately.