

# STATE OF NEW YORK

3842--A

2019-2020 Regular Sessions

## IN SENATE

February 19, 2019

Introduced by Sens. STAVISKY, LAVALLE, ADDABBO, COMRIE, FUNKE, GOUNARDES, HOYLMAN, KAMINSKY, KENNEDY, MAYER, RAMOS, 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

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

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

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

3 (h) Any firm established for the business purpose of incorporating as  
4 a professional service corporation formed to lawfully engage in the  
5 practice of public accountancy, as such practice is respectively defined  
6 under article one hundred forty-nine of the education law shall be  
7 required to show (1) that a simple majority of the ownership of the  
8 firm, in terms of financial interests, and voting rights held by the  
9 firm's owners, belongs to individuals licensed to practice public  
10 accountancy in some state, and (2) that all shareholders of a profes-  
11 sional service corporation whose principal place of business is in this  
12 state, and who are engaged in the practice of public accountancy in this  
13 state, hold a valid license issued under section seventy-four hundred  
14 four of the education law. For purposes of this paragraph, "financial  
15 interest" means capital stock, capital accounts, capital contributions,  
16 capital interest, or interest in undistributed earnings of a business  
17 entity. Although firms may include non-licensee owners, the firm and  
18 its owners must comply with rules promulgated by the state board of  
19 regents. Notwithstanding the foregoing, a firm incorporated under this  
20 section may not have non-licensee owners if the firm's name includes the  
21 words "certified public accountant," or "certified public accountants,"

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

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

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

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

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

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

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

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

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

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

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

54 § 1509. Disqualification of shareholders, directors, officers and  
55 employees.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

38 (q) Each partner of a foreign limited liability partnership which  
39 provides medical services in this state must be licensed pursuant to  
40 article 131 of the education law to practice medicine in the state and  
41 each partner of a foreign limited liability partnership which provides  
42 dental services in the state must be licensed pursuant to article 133 of  
43 the education law to practice dentistry in this state. Each partner of a  
44 foreign limited liability partnership which provides veterinary service  
45 in the state shall be licensed pursuant to article 135 of the education  
46 law to practice veterinary medicine in this state. Each partner of a  
47 foreign limited liability partnership which provides professional engi-  
48 neering, land surveying, geological services, architectural and/or land-  
49 scape architectural services in this state must be licensed pursuant to  
50 article 145, article 147 and/or article 148 of the education law to  
51 practice one or more of such professions. Each partner of a foreign  
52 registered limited liability partnership formed to provide public  
53 accountancy services, whose principal place of business is in this state  
54 and who provides public accountancy services, must be licensed pursuant  
55 to article 149 of the education law to practice public accountancy in  
56 this state. Each partner of a foreign limited liability partnership

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

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

50 (h) "Limited partnership" and "domestic limited partnership" mean,  
51 unless the context otherwise requires, a partnership (i) formed by two  
52 or more persons pursuant to this article or which complies with subdivi-  
53 sion (a) of section 121-1202 of this article and (ii) having one or more  
54 general partners and one or more limited partners. Notwithstanding any  
55 other provisions of law a limited partnership or domestic limited part-  
56 nership formed to lawfully engage in the practice of public accountancy,

1 as such practice is respectively defined under article 149 of the educa-  
2 tion law shall be required to show (1) that a simple majority of the  
3 ownership of the firm, in terms of financial interests, including owner-  
4 ship-based compensation, and voting rights held by the firm's owners,  
5 belongs to individuals licensed to practice public accountancy in some  
6 state, and (2) that all partners of a limited partnership or domestic  
7 limited partnership, whose principal place of business is in this state,  
8 and who are engaged in the practice of public accountancy in this state,  
9 hold a valid license issued under section seventy-four hundred four of  
10 the education law or are public accountants licensed under section  
11 seventy-four hundred five of the education law. Although firms may  
12 include non-licensee owners, the firm and its owners must comply with  
13 rules promulgated by the state board of regents. Notwithstanding the  
14 foregoing, a firm registered under this section may not have non-licen-  
15 see owners if the firm's name includes the words "certified public  
16 accountant," or "certified public accountants," or the abbreviations  
17 "CPA" or "CPAs". Each non-licensee owner of a firm that is registered  
18 under this section shall be (1) a natural person who actively partic-  
19 ipates in the business of the firm or its affiliated entities, or (2) an  
20 entity, including, but not limited to, a partnership or professional  
21 corporation, provided each beneficial owner of an equity interest in  
22 such entity is a natural person who actively participates in the busi-  
23 ness conducted by the firm or its affiliated entities. For purposes of  
24 this subdivision, "actively participate" means to provide services to  
25 clients or to otherwise individually take part in the day-to-day busi-  
26 ness or management of the firm.

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

30 (b) With respect to a professional service limited liability company  
31 formed to provide medical services as such services are defined in arti-  
32 cle 131 of the education law, each member of such limited liability  
33 company must be licensed pursuant to article 131 of the education law to  
34 practice medicine in this state. With respect to a professional service  
35 limited liability company formed to provide dental services as such  
36 services are defined in article 133 of the education law, each member of  
37 such limited liability company must be licensed pursuant to article 133  
38 of the education law to practice dentistry in this state. With respect  
39 to a professional service limited liability company formed to provide  
40 veterinary services as such services are defined in article 135 of the  
41 education law, each member of such limited liability company must be  
42 licensed pursuant to article 135 of the education law to practice veter-  
43 inary medicine in this state. With respect to a professional service  
44 limited liability company formed to provide professional engineering,  
45 land surveying, architectural, landscape architectural and/or geological  
46 services as such services are defined in article 145, article 147 and  
47 article 148 of the education law, each member of such limited liability  
48 company must be licensed pursuant to article 145, article 147 and/or  
49 article 148 of the education law to practice one or more of such  
50 professions in this state. With respect to a professional service  
51 limited liability company formed to provide public accountancy services  
52 as such services are defined in article 149 of the education law each  
53 member of such limited liability company whose principal place of busi-  
54 ness is in this state and who provides public accountancy services, must  
55 be licensed pursuant to article 149 of the education law to practice  
56 public accountancy in this state. With respect to a professional service



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

1 services to clients or to otherwise individually take part in the day-  
2 to-day business or management of the firm.

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

6 (a) "Foreign professional service limited liability company" means a  
7 professional service limited liability company, whether or not denomi-  
8 nated as such, organized under the laws of a jurisdiction other than  
9 this state, (i) each of whose members and managers, if any, is a profes-  
10 sional authorized by law to render a professional service within this  
11 state and who is or has been engaged in the practice of such profession  
12 in such professional service limited liability company or a predecessor  
13 entity, or will engage in the practice of such profession in the profes-  
14 sional service limited liability company within thirty days of the date  
15 such professional becomes a member, or each of whose members and manag-  
16 ers, if any, is a professional at least one of such members is author-  
17 ized by law to render a professional service within this state and who  
18 is or has been engaged in the practice of such profession in such  
19 professional service limited liability company or a predecessor entity,  
20 or will engage in the practice of such profession in the professional  
21 service limited liability company within thirty days of the date such  
22 professional becomes a member, or (ii) authorized by, or holding a  
23 license, certificate, registration or permit issued by the licensing  
24 authority pursuant to, the education law to render a professional  
25 service within this state; except that all members and managers, if any,  
26 of a foreign professional service limited liability company that  
27 provides health services in this state shall be licensed in this state.  
28 With respect to a foreign professional service limited liability company  
29 which provides veterinary services as such services are defined in arti-  
30 cle 135 of the education law, each member of such foreign professional  
31 service limited liability company shall be licensed pursuant to article  
32 135 of the education law to practice veterinary medicine. With respect  
33 to a foreign professional service limited liability company which  
34 provides medical services as such services are defined in article 131 of  
35 the education law, each member of such foreign professional service  
36 limited liability company must be licensed pursuant to article 131 of  
37 the education law to practice medicine in this state. With respect to a  
38 foreign professional service limited liability company which provides  
39 dental services as such services are defined in article 133 of the  
40 education law, each member of such foreign professional service limited  
41 liability company must be licensed pursuant to article 133 of the educa-  
42 tion law to practice dentistry in this state. With respect to a foreign  
43 professional service limited liability company which provides profes-  
44 sional engineering, land surveying, geologic, architectural and/or land-  
45 scape architectural services as such services are defined in article  
46 145, article 147 and article 148 of the education law, each member of  
47 such foreign professional service limited liability company must be  
48 licensed pursuant to article 145, article 147 and/or article 148 of the  
49 education law to practice one or more of such professions in this state.  
50 With respect to a foreign professional service limited liability company  
51 which provides public accountancy services as such services are defined  
52 in article 149 of the education law, each member of such foreign profes-  
53 sional service limited liability company whose principal place of busi-  
54 ness is in this state and who provides public accountancy services,  
55 shall be licensed pursuant to article 149 of the education law to prac-  
56 tice public accountancy in this state. With respect to a foreign profes-

sional 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, 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 members of a foreign limited professional service limited liability company, whose principal place of business is in this state, and who are engaged in the practice of public accountancy in this state, hold a valid license issued under section 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

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

6 § 13. This act shall take effect immediately.