

# STATE OF NEW YORK

3842--B

2019-2020 Regular Sessions

## IN SENATE

February 19, 2019

Introduced by Sens. STAVISKY, LAVALLE, ADDABBO, COMRIE, FUNKE, GOUNARDES, HOYLMAN, KAMINSKY, KENNEDY, MAYER, RAMOS, SALAZAR, SEPULVEDA -- read twice and ordered printed, and when printed to be committed to the Committee on Higher Education -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



counseling services in this state must be licensed pursuant to article 163 of the education law to practice mental health counseling in this state. Each partner of a registered limited liability partnership formed to provide psychoanalysis services in this state must be licensed pursuant to article 163 of the education law to practice psychoanalysis in this state. Each partner of a registered limited liability partnership formed to provide applied behavior analysis service in this state must be licensed or certified pursuant to article 167 of the education law to practice applied behavior analysis in this state. A limited liability partnership formed to lawfully engage in the practice of public accountancy, as such practice is respectively defined under article 149 of the education law, shall be required to show (1) that a simple majority of the ownership of the firm, in terms of financial interests, and voting rights held by the firm's owners, belongs to individuals licensed to practice public accountancy in some state, and (2) that all partners of a limited liability partnership whose principal place of business is in this state, and who are engaged in the practice of public accountancy in this state, hold a valid license issued under section seventy-four hundred four of the education law. For purposes of this subdivision, "financial interest" means capital stock, capital accounts, capital contributions, capital interest, or interest in undistributed earnings of a business entity. Although firms may include non-licensee owners, the firm and its owners must comply with rules promulgated by the state board of regents. Notwithstanding the foregoing, a firm registered under this section may not have non-licensee owners if the firm's name includes the words "certified public accountant," or "certified public accounts," or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is formed under this section shall be (1) a natural person who actively participates in the business of the firm or its affiliated entities, or (2) an entity, including, but not limited to, a partnership or professional corporation, provided each beneficial owner of an equity interest in such entity is a natural person who actively participates in the business conducted by the firm or its affiliated entities. For purposes of this subdivision, "actively participate" means to provide services to clients or to otherwise individually take part in the day-to-day business or management of the firm.

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

(q) Each partner of a foreign limited liability partnership which provides medical services in this state must be licensed pursuant to article 131 of the education law to practice medicine in the state and each partner of a foreign limited liability partnership which provides dental services in the state must be licensed pursuant to article 133 of the education law to practice dentistry in this state. Each partner of a foreign limited liability partnership which provides veterinary service in the state shall be licensed pursuant to article 135 of the education law to practice veterinary medicine in this state. Each partner of a foreign limited liability partnership which provides professional engineering, land surveying, geological services, architectural and/or landscape architectural services in this state must be licensed pursuant to article 145, article 147 and/or article 148 of the education law to practice one or more of such professions. Each partner of a foreign registered limited liability partnership formed to provide public accountancy services, whose principal place of business is in this state and who provides public accountancy services, must be licensed pursuant

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

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

52 (h) "Limited partnership" and "domestic limited partnership" mean,  
53 unless the context otherwise requires, a partnership (i) formed by two  
54 or more persons pursuant to this article or which complies with subdivi-  
55 sion (a) of section 121-1202 of this article and (ii) having one or more  
56 general partners and one or more limited partners. Notwithstanding any

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

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

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



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

purposes of this subdivision, "actively participate" means to provide services to clients or to otherwise individually take part in the day-to-day business or management of the firm.

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

(a) "Foreign professional service limited liability company" means a professional service limited liability company, whether or not denominated as such, organized under the laws of a jurisdiction other than this state, (i) each of whose members and managers, if any, is a professional authorized by law to render a professional service within this state and who is or has been engaged in the practice of such profession in such professional service limited liability company or a predecessor entity, or will engage in the practice of such profession in the professional service limited liability company within thirty days of the date such professional becomes a member, or each of whose members and managers, if any, is a professional at least one of such members is authorized by law to render a professional service within this state and who is or has been engaged in the practice of such profession in such professional service limited liability company or a predecessor entity, or will engage in the practice of such profession in the professional service limited liability company within thirty days of the date such professional becomes a member, or (ii) authorized by, or holding a license, certificate, registration or permit issued by the licensing authority pursuant to, the education law to render a professional service within this state; except that all members and managers, if any, of a foreign professional service limited liability company that provides health services in this state shall be licensed in this state. With respect to a foreign professional service limited liability company which provides veterinary services as such services are defined in article 135 of the education law, each member of such foreign professional service limited liability company shall be licensed pursuant to article 135 of the education law to practice veterinary medicine. With respect to a foreign professional service limited liability company which provides medical services as such services are defined in article 131 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 131 of the education law to practice medicine in this state. With respect to a foreign professional service limited liability company which provides dental services as such services are defined in article 133 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 133 of the education law to practice dentistry in this state. With respect to a foreign professional service limited liability company which provides professional engineering, land surveying, geologic, architectural and/or landscape architectural services as such services are defined in article 145, article 147 and article 148 of the education law, each member of such foreign professional service limited liability company must be licensed pursuant to article 145, article 147 and/or article 148 of the education law to practice one or more of such professions in this state. With respect to a foreign professional service limited liability company which provides public accountancy services as such services are defined in article 149 of the education law, each member of such foreign professional service limited liability company whose principal place of business is in this state and who provides public accountancy services, shall be licensed pursuant to article 149 of the education law to prac-

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

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

6 § 13. This act shall take effect immediately.