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2019-2020 Regular Sessions

IN SENATE

February 19, 2019

- Introduced by Sens. STAVISKY, LAVALLE, ADDABBO, COMRIE, FUNKE, GOUNARDES, HOYLMAN, KAMINSKY, KENNEDY, MAYER, RAMOS, SALAZAR, SEPULVE-DA -- read twice and ordered printed, and when printed to be committed to the Committee on Higher Education -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Higher Education in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee
- 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:

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

(h) Any firm established for the business purpose of incorporating as 3 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 firm, in terms of financial interests, and voting rights held by the 8 firm's owners, belongs to individuals licensed to practice public 9 accountancy in some state, and (2) that all shareholders of a profes-10 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

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

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1	entity. Although firms may include non-licensee owners, the firm and
2	its owners must comply with rules promulgated by the state board of
3	regents. Notwithstanding the foregoing, a firm incorporated under this
4	section may not have non-licensee owners if the firm's name includes the
5	words "certified public accountant," or "certified public accountants,"
б	or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm
7	that is incorporated under this section shall be a natural person who
8	actively participates in the business of the firm or its affiliated
9	entities. For purposes of this subdivision, "actively participate" means
10	to provide services to clients or to otherwise individually take part in
11	the day-to-day business or management of the firm. Such a firm shall
12	have attached to its certificate of incorporation a certificate or
13	certificates demonstrating the firm's compliance with this paragraph, in
14	lieu of the certificate or certificates required by subparagraph (ii) of
15	paragraph (b) of this section.
16	§ 2. Section 1507 of the business corporation law is amended by adding
17	a new paragraph (c) to read as follows:
18	(c) Any firm established for the business purpose of incorporating as
19	a professional service corporation pursuant to paragraph (h) of section
20	fifteen hundred three of this article may issue shares to individuals
21	who are authorized by law to practice in this state the profession which
22	such corporation is authorized to practice and who are or have been
23	engaged in the practice of such profession in such corporation or a
24	predecessor entity, or who will engage in the practice of such profes-
25	sion in such corporation within thirty days of the date such shares are
26	issued and may also issue shares to employees of the corporation not
27	licensed as certified public accountants, provided that:
28	(i) at least fifty-one percent of the outstanding shares of stock of
20	
29	the corporation are owned by certified public accountants,
29	the corporation are owned by certified public accountants,
29 30	the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public
29 30 31	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants,</pre>
29 30 31 32	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public</pre>
29 30 31 32 33	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants,</pre>
29 30 31 32 33 34	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the</pre>
29 30 31 32 33 34 35	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants.</pre>
29 30 31 32 33 34 35 36	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor-</pre>
29 30 31 32 33 34 35 36 37	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h)</pre>
29 30 31 32 33 34 35 36 37 38	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation,</pre>
29 30 31 32 33 34 35 36 37 38 39	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her</pre>
29 30 31 32 33 34 35 36 37 38 39 40	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation,</pre>
29 30 31 32 33 34 35 36 37 38 39 40 41	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her</pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42	the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void.</pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding</pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding 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 </pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding a new paragraph (c) to read as follows: (c) The directors and officers of any firm established for the business ness purpose of incorporating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this arti-</pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding 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 </pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding a new paragraph (c) to read as follows: (c) The directors and officers of any firm established for the business ness purpose of incorporating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this arti-</pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding a new paragraph (c) to read as follows: (c) The directors and officers of any firm established for the business ness purpose of incorporating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this arti- cle 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,</pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 50 51 52	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding a new paragraph (c) to read as follows: (c) The directors and officers of any firm established for the busi- ness purpose of incorporating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this arti- cle 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 offi-</pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 9 50 51	<pre>the corporation are owned by certified public accountants. (ii) at least fifty-one percent of the directors are certified public accountants. (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding a new paragraph (c) to read as follows: (c) The directors and officers of any firm established for the busi- ness purpose of incorporating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this arti- cle 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 offi- cer or officers are authorized by law to practice in any state the</pre>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 50 51 52	<pre>the corporation are owned by certified public accountants, (ii) at least fifty-one percent of the directors are certified public accountants, (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding a new paragraph (c) to read as follows: (c) The directors and officers of any firm established for the busi- ness purpose of incorporating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this arti- cle 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 offi-</pre>
29 30 31 32 33 34 35 36 37 38 39 41 42 43 44 50 51 52 53	<pre>the corporation are owned by certified public accountants. (ii) at least fifty-one percent of the directors are certified public accountants. (iii) at least fifty-one percent of the officers are certified public accountants, (iv) the president, the chairperson of the board of directors and the chief executive officer or officers are certified public accountants. No shareholder of a firm established for the business purpose of incor- porating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article shall enter into a voting trust agreement, proxy or any other type of agreement vesting in another person, other than another shareholder of the same corporation, the authority to exercise voting power of any or all of his or her shares. All shares issued, agreements made or proxies granted in violation of this section shall be void. § 3. Section 1508 of the business corporation law is amended by adding a new paragraph (c) to read as follows: (c) The directors and officers of any firm established for the busi- ness purpose of incorporating as a professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this arti- cle 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 offi- cer or officers are authorized by law to practice in any state the</pre>

1 § 4. Section 1509 of the business corporation law, as amended by chap-2 ter 550 of the laws of 2011, is amended to read as follows:

3 § 1509. Disqualification of shareholders, directors, officers and 4 employees.

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

S 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:

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

agreement, may provide, in lieu of or in addition to the foregoing 1 provisions, for the alienation of shares and may require the redemption 2 or purchase of such shares by such corporation at prices and in a manner 3 4 specifically set forth therein. The existence of the restrictions on the 5 sale or transfer of shares, as contained in this article and, if applicable, in the certificate of incorporation, by-laws, stock purchase or б 7 stock redemption agreement, shall be noted conspicuously on the face or back of every certificate for shares issued by a professional service 8 9 corporation. Any sale or transfer in violation of such restrictions 10 shall be void. 11 (c) A firm established for the business purpose of incorporating as a professional service corporation pursuant to paragraph (h) of section 12 fifteen hundred three of this article, shall purchase or redeem the 13 14 shares of a non-licensed professional shareholder in the case of his or 15 her termination of employment within thirty days after such termination. 16 A firm established for the business purpose of incorporating as a 17 professional service corporation pursuant to paragraph (h) of section fifteen hundred three of this article, shall not be required to purchase 18 or redeem the shares of a terminated non-licensed professional share-19 20 holder if such shares, within thirty days after such termination, are 21 sold or transferred to another employee of the corporation pursuant to 22 this article. § 6. Section 1514 of the business corporation law is amended by adding 23 24 a new paragraph (c) to read as follows: 25 (c) Each firm established for the business purpose of incorporating as 26 a professional service corporation pursuant to paragraph (h) of section 27 fifteen hundred three of this article shall, at least once every three 28 years on or before the date prescribed by the licensing authority, furnish a statement to the licensing authority listing the names and 29 30 residence addresses of each shareholder, director and officer of such corporation and certify as the date of certification and at all times 31 32 over the entire three year period that: 33 (i) at least fifty-one percent of the outstanding shares of stock of 34 the corporation are and were owned by certified public accountants, 35 (ii) at least fifty-one percent of the directors are and were certi-36 fied public accountants, 37 (iii) at least fifty-one percent of the officers are and were certi-38 fied public accountants, (iv) the president, the chairperson of the board of directors and the 39 40 chief executive officer or officers are and were certified public 41 accountants. 42 The statement shall be signed by the president or any certified public 43 accountant vice-president and attested to by the secretary or any 44 assistant secretary of the corporation. 45 § 7. Paragraph (d) of section 1525 of the business corporation law, as 46 added by chapter 505 of the laws of 1983, is amended to read as follows: 47 (d) "Foreign professional service corporation" means a professional 48 service corporation, whether or not denominated as such, organized under 49 the laws of a jurisdiction other than this state, all of the shareholders, directors and officers of which are authorized and licensed to 50 practice the profession for which such corporation is licensed to do 51 52 business; except that all shareholders, directors and officers of a 53 foreign professional service corporation which provides health services 54 in this state shall be licensed in this state. A foreign professional service corporation formed to lawfully engage in the practice of public 55 56 accountancy, as such practice is defined under article one hundred

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forty-nine of the education law, or equivalent state law, shall be 1 required to show (1) that a simple majority of the ownership of the 2 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 foreign б professional service corporation whose principal place of business is in 7 this state, and who are engaged in the practice of public accountancy in 8 this state, hold a valid license issued under section seventy-four 9 hundred four of the education law. For purposes of this paragraph, 10 "financial interest" means capital stock, capital accounts, capital 11 contributions, capital interest, or interest in undistributed earnings of a business entity. Although firms may include non-licensee owners, 12 13 the firm and its owners must comply with rules promulgated by the state 14 board of regents. Notwithstanding the foregoing, a firm registered 15 under this section may not have non-licensee owners if the firm's name 16 includes the words "certified public accountant," or "certified public 17 accountants," or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is operating under this section shall be a natural 18 person who actively participates in the business of the firm or its 19 affiliated entities, provided each beneficial owner of an equity inter-20 21 est in such entity is a natural person who actively participates in the business conducted by the firm or its affiliated entities. For purposes 22 of this paragraph, "actively participate" means to provide services to 23 clients or to otherwise individually take part in the day-to-day busi-24 25 ness or management of the firm. 26 § 8. Subdivision (q) of section 121-1500 of the partnership law, as 27 amended by chapter 475 of the laws of 2014, is amended to read as 28 follows: 29 (q) Each partner of a registered limited liability partnership formed 30 to provide medical services in this state must be licensed pursuant to 31 article 131 of the education law to practice medicine in this state and 32 each partner of a registered limited liability partnership formed to 33 provide dental services in this state must be licensed pursuant to arti-34 cle 133 of the education law to practice dentistry in this state. Each

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

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

39 § 9. Subdivision (q) of section 121-1502 of the partnership law, as 40 amended by chapter 475 of the laws of 2014, is amended to read as 41 follows:

42 (q) Each partner of a foreign limited liability partnership which 43 provides medical services in this state must be licensed pursuant to 44 article 131 of the education law to practice medicine in the state and each partner of a foreign limited liability partnership which provides 45 46 dental services in the state must be licensed pursuant to article 133 of 47 the education law to practice dentistry in this state. Each partner of a foreign limited liability partnership which provides veterinary service 48 49 in the state shall be licensed pursuant to article 135 of the education 50 law to practice veterinary medicine in this state. Each partner of a 51 foreign limited liability partnership which provides professional engi-52 neering, land surveying, geological services, architectural and/or land-53 scape architectural services in this state must be licensed pursuant to 54 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 55 registered limited liability partnership formed to provide public 56

accountancy services, whose principal place of business is in this state 1 2 and who provides public accountancy services, must be licensed pursuant to article 149 of the education law to practice public accountancy in 3 4 this state. Each partner of a foreign limited liability partnership 5 which provides licensed clinical social work services in this state must б be licensed pursuant to article 154 of the education law to practice 7 licensed clinical social work in this state. Each partner of a foreign 8 limited liability partnership which provides creative arts therapy services in this state must be licensed pursuant to article 163 of the 9 10 education law to practice creative arts therapy in this state. Each 11 partner of a foreign limited liability partnership which provides marriage and family therapy services in this state must be licensed 12 pursuant to article 163 of the education law to practice marriage and 13 14 family therapy in this state. Each partner of a foreign limited liabil-15 ity partnership which provides mental health counseling services in this 16 state must be licensed pursuant to article 163 of the education law to 17 practice mental health counseling in this state. Each partner of a foreign limited liability partnership which provides psychoanalysis 18 services in this state must be licensed pursuant to article 163 of the 19 20 education law to practice psychoanalysis in this state. Each partner of 21 a foreign limited liability partnership which provides applied behavior 22 analysis services in this state must be licensed or certified pursuant 23 to article 167 of the education law to practice applied behavior analy-24 A foreign limited liability partnership formed to sis in this state. 25 lawfully engage in the practice of public accountancy, as such practice 26 is respectively defined under article 149 of the education law, shall be 27 required to show (1) that a simple majority of the ownership of the 28 firm, in terms of financial interests, and voting rights held by the firm's owners, belongs to individuals licensed to practice public 29 30 accountancy in some state, and (2) that all partners of a foreign limited liability partnership whose principal place of business is in this 31 32 state, and who are engaged in the practice of public accountancy in this 33 state, hold a valid license issued under section seventy-four hundred four of the education law. For purposes of this subdivision, "financial 34 35 interest means capital stock, capital accounts, capital contributions, 36 capital interest, or interest in undistributed earnings of a business 37 entity. Although firms may include non-licensee owners, the firm and 38 its owners must comply with rules promulgated by the state board of regents. Notwithstanding the foregoing, a firm registered under this 39 section may not have non-licensee owners if the firm's name includes the 40 words "certified public accountant," or "certified public accountants," 41 42 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 43 actively participates in the business of the firm or its affiliated 44 entities, or (2) an entity, including, but not limited to, a partnership 45 46 or professional corporation, provided each beneficial owner of an equity 47 interest in such entity is a natural person who actively participates in 48 the business conducted by the firm or its affiliated entities. For 49 purposes of this subdivision, "actively participate" means to provide services to clients or to otherwise individually take part in the day-50 51 to-day business or management of the firm. 52 § 10. Subdivision (h) of section 121-101 of the partnership law, as

added by chapter 950 of the laws of 1990, is amended to read as follows: (h) "Limited partnership" and "domestic limited partnership" mean, unless the context otherwise requires, a partnership (i) formed by two or more persons pursuant to this article or which complies with subdivi-

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

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

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

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

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3 4 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-

5 to-day business or management of the firm.

6 § 12. Subdivision (a) of section 1301 of the limited liability company 7 law, as amended by chapter 475 of the laws of 2014, is amended to read 8 as follows:

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

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

1 (2) an entity, including, but not limited to, a partnership or profes-2 sional corporation, provided each beneficial owner of an equity interest 3 in such entity is a natural person who actively participates in the 4 business conducted by the firm or its affiliated entities. For purposes of this subdivision, "actively participate" means to provide services to 5 6 clients or to otherwise individually take part in the day-to-day busi-7 ness or management of the firm. 8 § 13. Notwithstanding any other provision of law to the contrary, there is hereby established a fee for each non-licensee owner of a firm 9 that is registered in this state to lawfully engage in the practice of 10 11 public accountancy. Such non-licensee owner shall pay a fee of nine 12 hundred dollars to the department of education on a triannual basis.

13 § 14. This act shall take effect immediately.