

CHAPTER 101**(SB 49)**

AN ACT relating to accountancy.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. KRS 325.220 is amended to read as follows:

As used in this chapter, unless the context otherwise requires:

- (1) "Board" means the State Board of Accountancy;
- (2) "State" includes and means any state, territory, or insular possession of the United States, or the District of Columbia;
- (3) "Public accountant" means a public accountant issued a license to practice by the Commonwealth of Kentucky under the Public Accounting Act of 1946 as amended;
- (4) "Attest~~[-,]~~" *means providing the following financial statement services:*
 - (a) *Any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS);*
 - (b) *Any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS);*
 - (c) *Any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE); or*
 - (d) *Any engagement to be performed in accordance with the Public Company Accounting Oversight Board Auditing Standards*~~["attesting," or "attestation," when used with reference to financial information or the practice of public accountancy, means to issue, or the issuance of, opinions, reports, or other forms of language which state or imply assurance as to the reliability of any:~~
 - ~~(a) Financial information; or~~
 - ~~(b) Facts respecting compliance with conditions established by law or contract, including, but not limited to, statutes, ordinances, administrative regulations, grants, loans, and appropriations, together with any wording accompanying or contained in the opinion or certificate, when such opinions, reports, or other forms of language are accompanied by or include any name, title, or wording that indicates that the person or firm issuing them is:~~
 - ~~1. An accountant or auditor;~~
 - ~~2. Has expert knowledge in accounting or auditing; or~~
 - ~~3. That his or her or the firm's work has been performed in accordance with the applicable professional standards for accounting or auditing services as established by the American Institute of Certified Public Accountants or other authorities, as recognized by the board by administrative regulation. The terms include forms of language which disclaim an opinion when the forms of language are conventionally understood to imply any assurance as to the reliability of the financial information referred to and expertise on the part of the person uttering the language; and any other form of language which is conventionally understood to imply such assurance and expertise; or which indicates certain procedures have been performed in accordance with applicable professional standards for accounting or auditing services as established by the American Institute of Certified Public Accountants or other authorities, as recognized by the board by administrative regulation];~~
- (5) *"Compilation" means providing a service to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS) by presenting information in the form of financial statements that is the representation of management or owners of an entity without undertaking to express any assurance on the statements;*
- (6) "Regulated activities" means the offering to perform or the performance for a client or potential client by a person or firm holding a license issued under this chapter of one (1) or more types of services involving the use

of accounting, **attest, or compilation services** ~~or auditing skills~~, including the issuance of reports on financial statements, or one (1) or more types of management advisory, financial advisory, or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. This definition shall not prohibit anyone who is not a certified public accountant from performing accounting services, such as the preparation of tax returns or financial statements, for which attestation by the preparer is not required;

- (7)~~(6)~~ "Firm" means a sole proprietorship, partnership, professional service corporation, or any other form of business organization that is authorized to operate under the laws of this Commonwealth, complies with the provisions of this chapter, and is issued a license to practice by the board **or is exempt from having to obtain a license pursuant to KRS 325.301**;
- (8)~~(7)~~ "License" means a license as a ~~certified public accountant~~ **or a firm** issued pursuant to this chapter;
- (9)~~(8)~~ "Licensee" means a certified public accountant, firm, or public accountant, holding a license to practice issued under this chapter;
- (10)~~(9)~~ "Peer review" means a study, appraisal, or review of one (1) or more aspects of the professional work of a person or firm licensed to practice, **or excluded from having to obtain a license pursuant to KRS 325.301**, and may include a quality assurance or peer review, or any internal review or inspection that is required by professional standards relating to quality control policies and procedures;
- (11)~~(10)~~ "Review committee" means any person or persons carrying out, administering, or overseeing a peer review program; and
- (12)~~(11)~~ "Substantial equivalency" means a determination by the board or its designee that the education, examination, and experience requirements in the statutes and administrative regulations of another state for the licensing of a certified public accountant are comparable or better than those contained in the Uniform Accountancy Act issued by the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA), or that an individual certified public accountant's education, examination, and experience qualifications are comparable or exceed these national standards.

➔Section 2. KRS 325.280 is amended to read as follows:

- (1) The board may issue a license to practice by reciprocity, if the applicant submits an application for a license to practice any regulated activity, upon forms approved by the board, that includes all required fees, in the amounts as determined by administrative regulation promulgated by the board, and meets the following requirements:
- (a) The applicant received a grade on the Uniform Certified Public Accountants Examination in another state that was equivalent to a passing grade at the time in this Commonwealth;
 - (b) The applicant holds a valid active license, and is in good standing as a certified public accountant, issued under the laws of any other state; and
 - (c)
 1. The applicant meets all current experience requirements in this Commonwealth at the time application is made; or
 2. Within the ten (10) years immediately preceding the application, had four (4) years of experience in the practice of the regulated activities acceptable to the board upon which the license was based.
- (2) The board may issue a license to practice the regulated activities without examination to an applicant who holds a valid license to engage in the practice of the regulated activities in good standing from a foreign country if:
- (a) The applicant's foreign country makes similar provisions to allow a person who holds a valid license to practice the regulated activities issued by this Commonwealth to obtain that foreign country's comparable designation;
 - (b) The authority of the foreign country that issued the designation regulates the practice of the regulated activities, including the issuance of reports upon financial statements;

- (c) The foreign designation was granted upon education and examination requirements which were established by the foreign authority or law and were substantially equivalent to those in effect in this Commonwealth at the time the foreign designation was granted;
 - (d) The applicant satisfies the applicable experience requirement contained in paragraph (c) of subsection (1) of this section;
 - (e) The applicant has successfully passed a uniform qualifying examination on United States national standards approved by the board; and
 - (f) The applicant submits an application for a license to practice the regulated activities, upon forms approved by the board, that includes all required fees, in the amounts as determined by administrative regulation promulgated by the board.
- ~~{(3) (a) The board may grant a privilege to practice the regulated activities to a natural person whose principal place of business is not in this state and who holds an active and valid license in good standing to practice as a certified public accountant in the state where his or her principal place of business is located and is deemed by the board to have substantially equivalent licensing standards. The board shall determine the procedure for reviewing and determining the substantial equivalency of any state.~~
- ~~(b) A person applying for the privilege established in paragraph (a) of this section shall satisfy the following requirements:~~
- ~~1. Submit to the board notification to practice on a form adopted by the board and pay a fee not to exceed one hundred dollars (\$100). The form shall be submitted prior to the applicant engaging in a regulated activity in this state or no later than thirty (30) calendar days thereafter;~~
 - ~~2. Agree to submit to the personal and subject matter jurisdiction and disciplinary authority of the board;~~
 - ~~3. Comply with the laws of this chapter and the board's administrative regulations;~~
 - ~~4. Agree to the appointment of the state board that issued the license as the agent upon whom process may be served in any action or proceeding by the board against the applicant;~~
 - ~~5. Agree to immediately cease offering services if any of the information filed is false;~~
 - ~~6. Agree to notify the board immediately if the license in the applicant's home jurisdiction becomes inactive, lapses, or is subjected to any disciplinary action;~~
 - ~~7. Agree that, notwithstanding the notice and hearing requirements of KRS 325.340, the privilege shall be automatically suspended or revoked if the home jurisdiction takes identical action on the license upon which the privilege is granted; and~~
 - ~~8. Agree that if the applicant moves his or her principal place of business to Kentucky, he or she shall notify the board prior to the move and immediately apply for a license under subsection (1) or (2) of this section.~~
- ~~(c) A privilege issued under this subsection shall automatically expire when one (1) of the following occurs:~~
- ~~1. The privilege is not renewed prior to July 1 of the second year following the date the privilege was last issued; or~~
 - ~~2. The license upon which the privilege was granted expires.~~
- ~~— The privilege may be renewed if the applicant meets the requirements of this subsection and administrative regulations promulgated pursuant to this subsection.~~
- ~~(d) The board may take disciplinary action against a licensee for an act committed in another state if the act at the time of its commission is a violation of this chapter and administrative regulations promulgated pursuant to this chapter.~~

➔SECTION 3. A NEW SECTION OF KRS CHAPTER 325 IS CREATED TO READ AS FOLLOWS:

(1) *A person who:*

- (a) *Does not have an office located in this state;*

- (b) *Holds a valid and active license to practice as a certified public accountant from any state that the board has determined to have licensure requirements substantially equivalent to those found in this chapter and the accompanying administrative regulations promulgated thereunder; and*
- (c) *Offers to perform or performs a regulated activity in person or by mail, telephone, or other electronic means in this state;*

shall have all the privileges granted to the holder of a license issued under this chapter without having to obtain a license from the board.

- (2) *Notwithstanding any other provision of this chapter, a person who satisfies the requirements of subsection (1) of this section:*
 - (a) *Is not required to provide notice of offering or providing such services to the board; and*
 - (b) *Is subject to the requirements listed in subsection (3) of this section.*
- (3) *A person who offers to perform or performs a regulated activity in person or by mail, telephone, or other electronic means in this state pursuant to this section agrees to:*
 - (a) *Submit to the personal and subject matter jurisdiction and disciplinary authority of the board;*
 - (b) *Comply with the provisions of this chapter and the administrative regulations of the board;*
 - (c) *Cease exercising the privilege if the license issued by the board or agency located in the state of the person's principal place of business expires or is no longer valid;*
 - (d) *The appointment of the state board or agency where the person's principal place of business is located and which issued the person's license as the agent upon whom process may be served in any action or proceeding by the Kentucky State Board of Accountancy against that person;*
 - (e) *Notify the board prior to opening any office in this state and immediately apply for a license under Section 2 of this Act; and*
 - (f) *Notify the board immediately if the person's license in the state where his or her principal place of business is located becomes inactive, lapses, or is subjected to any disciplinary action.*
- (4) *The board may take disciplinary action against a person granted a privilege under this section for an act committed by the person in another state if the act at the time of its commission is a violation of that state's law or regulations and this chapter or administrative regulations promulgated pursuant to this chapter.*
- (5) *A person who qualifies for the practice privilege under this section and offers to perform or performs one (1) or more of the following services for a client with its home office located in this state or for a person who is a resident of this state, shall perform the service or services through a firm which has obtained a license issued under KRS 325.301:*
 - (a) *Any financial statement audit or other engagement to be performed in accordance with the Statements on Auditing Standards;*
 - (b) *Any examination of prospective financial statements to be performed in accordance with the Statements on Standards for Attestation Engagements; or*
 - (c) *Any engagement to be performed in accordance with the Public Company Accounting Oversight Board Auditing Standards.*

➔Section 4. KRS 325.285 is amended to read as follows:

- (1) A person *or firm* that enters this state *in person or by mail, telephone, or other electronic means*, ~~and~~ represents himself, ~~or~~ herself, *or itself* as a "certified public accountant," ~~or a~~ "CPA," *or CPA firm*, and performs or offers to perform a regulated activity for a *client whose home office is located in this state or a person who is a resident of*~~person in~~ this state without first:
 - (a) Obtaining a license under this chapter; ~~or~~
 - (b) Complying with the practice privilege requirement in *Section 3 of this Act; or*
 - (c) *Qualifying for the exemption from licensure under KRS 325.301;*~~{325.280}~~

consents to the personal, subject matter, and disciplinary jurisdiction of the board.

- (2) The board may conduct investigations and hearings and impose sanctions against the person or firm as if the person or firm held a license under this chapter.

➔Section 5. KRS 325.290 is amended to read as follows:

- (1) Only an individual who has received a license to practice *or qualifies for a practice privilege* shall be styled and known as a "certified public accountant." A certified public accountant may also use the abbreviation "CPA" or "public accountant."
- (2) Licensees granted a waiver from continuing professional education based on retirement may use "certified public accountant," "public accountant," or "CPA," but shall not engage in regulated activities.

➔Section 6. KRS 325.301 is amended to read as follows:

- (1) *The following firms shall obtain a license to practice in this state:*
- (a) *Any firm with an office located in this state performing attest services or compilations, as defined in Section 1 of this Act;*
- (b) *Any firm with an office in this state that uses the title "CPA" or other phrase or abbreviation in any manner described in KRS 325.410 to suggest it is a certified public accounting firm; and*
- (c) *Any firm that does not have an office located in this state but performs any attest service described in subsection (4)(a), (c), or (d) of Section 1 of this Act for a client with his or her home office in this state or a client who is a resident of this state.*
- (2) *The following firms shall not be required to obtain a license to practice in this state and may use the title "CPA" in the name of the firm:*
- (a) *A firm which does not have an office in this state that performs services described in subsection (4)(b) or (5) of Section 1 of this Act for a client having its home office in this state or a client who is a resident of this state if:*
1. *The firm complies with the requirements contained in subsections (3)(a) and (8) of this section; and*
 2. *All services provided by the firm are performed by an individual with a practice privilege granted under Section 3 of this Act; and*
- (b) *A firm which does not have an office in this state and does not provide the services described in subsection (4) or (5) of Section 1 of this Act to a client having his or her home office located in this state or a client who is a resident of this state may provide other services that are regulated activities, as described in subsection (6) of Section 1 of this Act, if:*
1. *The services are provided through an individual granted a practice privilege as described in Section 3 of this Act; and*
 2. *The firm can legally provide the services in the state where the individual with a practice privilege has his or her principal place of business.*
- (3) All firms seeking to obtain a license to practice in this Commonwealth shall meet the following requirements:
- (a) *Certified public accountants*~~Licensees~~ shall hold fifty-one percent (51%) or more of the ownership of the firm in terms of financial interests and voting rights of all partners, officers, shareholders, members, or managers of the firm;
- (b) ~~All Nonlicensed~~ owners of the firm *who are not certified public accountants* shall be natural persons actively engaged in the firm's operations and shall satisfy additional requirements as promulgated by the board in administrative regulations;
- (c) The name of the firm shall comply with the requirements of KRS 325.380;
- (d) All certified public accountants who are partners, shareholders, members, officers, directors, or employees of ~~a~~~~the~~ firm *with an office located in this state*, who regularly practice in this Commonwealth, shall maintain current licenses to practice issued by the board;

- (e) Any individual licensee ***and any individual qualifying for a practice privilege under this chapter*** who is responsible for supervising attest services and signs or authorizes someone to sign the report on the financial statements on behalf of the firm shall meet the competency requirements as promulgated by the board in administrative regulation; and
 - (f) The firm shall comply with the provisions of this chapter, the administrative regulations promulgated by the board, and all other laws of this Commonwealth applicable to the firm's particular form of business organization.
- ~~(4)(2)~~ Before a firm may practice in this Commonwealth, it shall:
- (a) Submit an initial application to the board for a firm license to practice in this Commonwealth. This application shall be made upon forms approved by the board and signed by the firm manager, who shall also be the certified public accountant in charge of the administrative matters of the firm. The application for a firm license to practice shall include the name of the firm manager, the name of each certified public accountant and nonlicensee with an ownership interest in the firm, the name of each certified public accountant employee of the firm, the location of each office, and any other information as the board, by duly promulgated administrative regulation, may require; and
 - (b) With the exception of a sole proprietorship, pay a fee not to exceed two hundred dollars (\$200) set by an administrative regulation promulgated by the board.
- ~~(5)(3)~~ The firm license to practice shall be renewed every two (2) years by the firm. The application for renewal shall be submitted by the manager of the firm on forms established in administrative regulations promulgated by the board. The renewal fee, not to exceed two hundred dollars (\$200), shall be established by administrative regulation promulgated by the board.
- ~~(6)(4)~~ The firm license to practice shall be effective for a two (2) year period following the date of its issuance and shall expire on the first day of July in the year of expiration.
- ~~(7)(5)~~ The manager of the firm shall notify the board, on a form established in administrative regulations promulgated by the board, of any change in its licensing information within thirty (30) days. Any change in the name of a firm shall require the filing of an initial application.
- ~~(8)(6)~~ All firms that perform audits, reviews, or compilations shall ***enroll in and complete on a regular basis*** an approved peer review program with standards that are equivalent to or better than the peer review program administered by the American Institute of Certified Public Accountants as determined by administrative regulations promulgated by the board. ***Every firm shall comply with any requirements or restrictions placed on its license as prescribed by the board in response to the results of peer reviews.***
- ~~(9)(7)~~ Nothing contained in this chapter shall require a certified public accountant or firm of certified public accountants licensed by another state or foreign country to obtain a license to practice in this Commonwealth if the certified public accountant or firm of certified public accountants enter this Commonwealth solely to:
- (a) Conduct a peer review of a firm; or
 - (b) Perform attestation work, incidental to an engagement which was initiated with a client located outside of the Commonwealth and has extended into the Commonwealth due to common ownership or existence of a subsidiary, assets, or other operations located within the Commonwealth.
- ➔Section 7. KRS 325.380 is amended to read as follows:
- (1) No person shall assume or use the title or designation "certified public accountant," "public accountant," or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountant, unless the person holds a license issued under this chapter ***or qualifies for a practice privilege under Section 3 of this Act.***
 - (2) No firm shall assume or use the title or designation "certified public accountants," "public accountants," or the abbreviation "CPA's" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of certified public accountants, unless the firm:
 - (a) Holds a license issued under this chapter which has not been revoked or suspended, and all offices of the firm in this state are maintained as required under this chapter; ***or***

(b) Is authorized to do so as provided for in Section 6 of this Act.

- (3) No individuals or firm shall assume or use the title or designation "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," "accredited auditor," "accounting practitioner," "accredited accountant," "expert accountant," "expert auditor," "certified auditor," or any other title or designation likely to be confused with "certified public accountant" and "public accountant" or any of the abbreviations "CA," "AP," "PA," "RA," "LA," or "AA" or similar abbreviations likely to be confused with "CPA."
- (4) No person or firm shall sign or affix his name or a firm name to any document or prepare or issue any document which indicates that the person or firm performed **attest services or a compilation**~~[the attest function in the preparation of the documents]~~ or that includes any language which indicates that **the person**~~[he]~~ or the firm has expert knowledge in **performing attest services or a compilation**~~[the use of the attest function]~~, unless the person or firm holds a license to practice issued under this chapter **or is exempt from having to obtain a license pursuant to Section 6 of this Act**. This prohibition shall be applicable to issuance by any unlicensed person or firm of a report using any form of language conventionally used by licensees with respect to a compilation of financial statements. The board shall issue safe harbor language, to be defined by the promulgation of administrative regulations, that nonlicensees may use in connection with a compilation of financial information. The provisions of this subsection shall not prohibit any officer, employee, partner, or principal of any organization from affixing his signature to any statement or report in reference to the financial affairs of the organization with any wording designating the position, title, or office which he holds in the organization, nor shall the provisions of this subsection prohibit any act of a public official or public employee in the performance of his duties.
- (5) No person shall assume or use the title or designation "certified public accountant" or "public accountant" in conjunction with names indicating or implying that there is a firm, or in conjunction with the designation "and Company" or "and Associates" or a similar designation if there is in fact no bona fide firm licensed under this chapter **or exempted from licensure under Section 6 of this Act**.
- (6) No person or firm holding a license under this chapter shall use a professional or firm name or designation which contains the names of any nonlicensees, is misleading as to the legal form of the firm, or as to the persons who are partners, officers, shareholders, or any other owners of the firm, or as to any other matters. If more than one (1) certified public accountant has an ownership interest in the firm, the names of one (1) or more deceased, retired, or withdrawn partners, shareholders, or other certified public accountants with an ownership interest may be included in the name of a firm or its successor.
- (7) If the death or retirement of a certified public accountant results in a firm having only one (1) certified public accountant with an ownership interest, the board may permit the firm to continue to use the firm name for no more than two (2) years from the certified public accountant's respective death or retirement.

Signed by Governor April 14, 2008.