

Approved: February 17, 2011  
Date

## MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Forrest Knox at 3:33 p.m. on February 15, 2011, in Room 152-S of the Capitol.

All members were present except Representative Shultz, who was excused.

### Committee staff present:

David Wiese, Office of the Revisor of Statutes  
Sean Ostrow, Office of the Revisor of Statutes  
Melissa Calderwood, Kansas Legislative Research Department  
Cindy Lash, Kansas Legislative Research Department  
Gary Deeter, Committee Secretary

### Conferees appearing before the Committee:

None

### Others attending:

See attached list.

The minutes for the February 8 and the February 10 meetings were approved. (Motion by Representative O'Hara and seconded by Representative Montgomery)

The Chair invited disposition of **HB 2124** - Certified public accountants; allowing professional corporations to practice in partnership with other corporations or individuals and register with the board of accountancy as a partnership.

The Vice-Chair noted that a technical amendment had been negotiated by the interested parties, an amendment inserting the word "professional" before the word "corporation" in the title and on page 2, line 30 (Attachment 1). Staff David Wiese provided the amendment, and a motion was made, seconded, and passed to accept the amendment. (Motion, Representative Proehl; second, Representative Montgomery)

Members discussed the possible ramifications of the bill. Representative Burroughs recalled a former representative, John Edmonds, whom he contacted to discuss the bill. Mr. Edmonds expressed concern that the bill will take away some measure of personal liability and will diminish the profession of Certified Public Accountants (CPAs). Staff Melissa Calderwood reviewed the 2007 action of the legislature regarding the issue. The Chair noted that the 2007 legislative act allowed the two firms in question to continue under their previous corporate partnership. A member commented that the continuing education stipulations of the bill uphold the professional level of CPAs.

A motion was made by Representative O'Hara and seconded by Representative Scapa to recommend the bill as amended to be favorable for passage. The motion passed, 11-2.

The meeting was adjourned at 3:50 p.m. The next meeting is scheduled for February 17, 2011.

DATE: FEBRUARY 15 2011

[illegible]

## HOUSE BILL No. 2124

By Representative Cassidy

1-28

Proposed  
amendment from  
Rep. Cassidy  
2/10/11

professional

1 AN ACT concerning certified public accountants; relating to corporations  
2 practicing in partnership; amending K.S.A. 2010 Supp. 1-308 and  
3 repealing the existing section.  
4

5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. K.S.A. 2010 Supp. 1-308 is hereby amended to read as  
7 follows: 1-308. (a) Unless exempt from registration pursuant to this  
8 section, a firm may engage in the practice of certified public accountancy  
9 in this state only if the firm registers with the board, complies with  
10 requirements established by rules and regulations adopted by the board  
11 for such registration, and meets the following requirements:

12 (1) At least one general partner, shareholder or member thereof must  
13 be a certified public accountant holding a valid permit to practice from  
14 this state or a practice privilege under subsection (a) of K.S.A. 1-322, and  
15 amendments thereto;

16 (2) each partner, shareholder or member who is a certified public  
17 accountant and whose principal place of business is in this state and who  
18 is personally engaged within this state in a practice of certified public  
19 accounting must be a certified public accountant of this state holding a  
20 valid permit to practice;

21 (3) each partner, shareholder or member who is a certified public  
22 accountant thereof must be a certified public accountant in some state in  
23 good standing;

24 (4) each resident manager in charge of an office of the firm in this  
25 state must be a certified public accountant of this state holding a valid  
26 permit to practice; and

27 (5) at least a simple majority of the ownership of the firm, in the  
28 terms of equity capital and voting rights of all partners, shareholders or  
29 members, belongs to the holders of valid licenses to practice as certified  
30 public accountants in some state. All nonlicensee owners must be of good  
31 moral character and must be natural persons actively participating in the  
32 business of the firm or actively participating in the business of entities,  
33 such as partnerships, corporations or other business associations, that are  
34 affiliated with the firm. Although firms may include nonlicensee owners  
35 there shall be at least one certified public accountant who has ultimate  
36 responsibility for all the services provided by the firm and, the firm and

Attachment 1

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1 its ownership must comply with rules and regulations promulgated by the  
2 board. Any firm which is denied registration pursuant to this section shall  
3 be entitled to notice and an opportunity to be heard pursuant to the  
4 Kansas administrative procedures act.

5 (b) Notwithstanding any other provision of Kansas law, the  
6 following must be registered by the board:

7 (1) Any firm with an office in this state which practices certified  
8 public accountancy; and

9 (2) any firm that does not have an office in this state but performs or  
10 offers to perform attest services described in subsection (d) of K.S.A. 1-  
11 321, and amendments thereto, for a client having its home office in this  
12 state;

13 (c) A firm which is not subject to subsection (b) may perform or  
14 offer to perform services described in subsection (s) of K.S.A. 1-321, and  
15 amendments thereto, and may use the "certified public accountant,"  
16 "CPA" or "CPA firm" without registering with the board only if:

17 (1) The individuals performing such services on behalf of the firm  
18 have the qualifications described in subsections (b) and (c) of K.S.A. 1-  
19 302b, and amendments thereto;

20 (2) it performs such services through an individual with practice  
21 privileges under K.S.A. 1-322, and amendments thereto; and

22 (3) it can lawfully perform such services in the state where such  
23 individuals with practice privileges have their principal place of business.

24 (d) An individual who has practice privileges under subsection (a) of  
25 K.S.A. 1-322, and amendments thereto, who performs or offers to  
26 perform services for which a firm registration is required under this  
27 section shall not be required to obtain a certificate or permit under K.S.A.  
28 1-310, and amendments thereto.

29 (e) *Nothing in this section shall prohibit a professional corporation*  
30 *from practicing in partnership with one or more corporations or*  
31 *individuals ~~shall not be and being~~ registered with the board as a*  
32 *partnership ~~unless such a partnership was registered prior to January 1,~~*  
33 *2007 under this section.*

professional

34 (f) The term "resident" as used in this section, shall include a person  
35 engaged in practice as a certified public accountant in this state, who  
36 spends all or the greater part of such person's time during business hours  
37 in this state, but who resides in another state.

38 (g) Each firm required to register under this section shall register  
39 prior to engaging in the practice of certified public accountancy in this  
40 state and shall renew the firm's registration by December 31 of each year.  
41 Each firm shall designate a permit holder of this state, or in the case of a  
42 firm which must register pursuant to paragraph (2) of subsection (b) a  
43 licensee of another state who meets the requirements set out in subsection

1 (a) of K.S.A. 1-322, and amendments thereto, who is responsible for the  
2 proper registration of the firm and shall identify that individual to the  
3 board by affidavit of a general partner, manager or officer of the firm. A  
4 fee may be charged for the registration of a firm.

5 (h) A firm that is not registered in accordance with this section or  
6 not exempt from registration under subsection (c) shall not use the words  
7 "certified public accountants" or the abbreviation CPA in connection with  
8 its name. Notification shall be given the board, within one month, after  
9 the admission or withdrawal of a partner, shareholder or member from  
10 any registered firm. Firms which fall out of compliance with the  
11 provisions of this section due to changes in firm ownership or personnel  
12 shall take corrective action to bring the firm back into compliance as  
13 quickly as possible. The board may grant a reasonable period of time for  
14 a firm to take such corrective action. Failure to bring the firm back into  
15 compliance within a reasonable period as determined by the board will  
16 result in the suspension or revocation of the firm permit.

17 (i) Any firm prohibited from practicing certified public accountancy  
18 in this state, as a result of having a firm registration revoked or suspended  
19 by the board, shall not practice under subsection (c) without first  
20 obtaining the approval of the board.

21 Sec. 2. K.S.A. 2010 Supp. 1-308 is hereby repealed.

22 Sec. 3. This act shall take effect and be in force from and after its  
23 publication in the statute book.  
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