

Approved: 3-17-11

Date

MINUTES OF THE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on March 7, 2011, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes  
Melissa Calderwood, Kansas Legislative Research Department  
Heather O'Hara, Kansas Legislative Research Department  
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

Rep. Cassidy  
Denis Miller, CPA

Others attending:

See attached list.

The Chair called the meeting to order.

The Chair presented for Committee approval, F I & I Minutes of 2/15/11; 2/16/11; 2/17/11; 2/21/11; 2/22/11; 3/2/11; and at the rail 3/2/11. Senator Schmidt moved approval of the minutes. Senator Merrick seconded. Motion passed.

Hearing on

**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 Chair asked Melissa Calderwood, Legislative Research, for an overview of the bill. Miss Calderwood stated that under current law, a professional corporation in partnership with one or more corporations or individuals cannot be registered with the Board of Accountancy as a partnership unless the partnership was registered prior to January 1, 2007. She said **HB 2124** would eliminate the date requirements and allow a professional corporation to be in a partnership with one or more corporations or individuals and be registered with the Board as a partnership.

Rep. Cassidy introduced the bill, stating that it had been introduced in the House and concerns the structure of accounting practices in Kansas.

Denis Miller, CPA, testified in support of **HB 2124**. Mr. Miller stated that in 2007 a bill was passed that changed what had been working for several decades, allowing professional corporations to be members of professional accounting partnerships for firms in Kansas. He said the law, as it was passed in 2007, made the accounting profession the only profession licensed in the state to not allow professional corporations to be members of partnerships. He said limiting partners as professional corporations would stifle the growth of accounting practices in already small Northwest Kansas and eventually force a lot of firms to die or disband and become sole practitioners with limited resources for accounting services to our citizens. In addition, he stated the new audit requirements have forced sole practitioners to get out of auditing and it would create a vacuum of firms to audit the municipalities and businesses in Northwest Kansas without going to large firms located in the metropolitan area. Continuing, he said the continuation of this restriction is detrimental to rural Kansas and the business environment in Kansas. (Attachment 1)

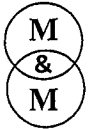
Mary MacBain, Executive Director, Kansas Society of CPAs, presented written testimony only. (Attachment 2)

The next meeting is scheduled for March 9, 2011.

The meeting was adjourned at 10:00 a.m.

DATE: 3-7-11

[illegible]



## **MAPES & MILLER**

**CERTIFIED PUBLIC ACCOUNTANTS**  
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D. MAPES, CPA  
DENIS W. MILLER, CPA  
THOMAS B. CARPENTER, CPA  
DON E. TILTON, CPA

418 E HOLME  
NORTON, KS 67654  
(785)877-5833

P.O. BOX 266  
711 3<sup>RD</sup> STREET  
PHILLIPSBURG, KS 67661  
(785)543-6561

P.O. BOX 508  
503 MAIN STREET  
STOCKTON, KS 67669  
(785)425-6764

306 N POMEROY  
HILL CITY, KS 67642  
(785)421-2163

OTHER OFFICES:  
QUINTER  
WAKEENEY

March 7, 2011

Professional Corporations for Certified Public Accountants  
Testimony Before the Committee on Financial Institutions and Insurance  
Denis W. Miller, CPA

Chair Teichman and Members of the Committee:

Thank you for considering House Bill No. 2124 that has been introduced, concerning the structure of accounting practices in the State of Kansas. A bill that was passed in 2007 changed what had been working for several decades, allowing professional corporations to be members of professional accounting partnerships for firms in the State of Kansas. The law as it was passed in 2007, made the accounting profession, to our knowledge, the only profession licensed in the State of Kansas to not allow professional corporations to be members of partnerships. The revised statute K.S.A. 1-308(a)(5) established that owners must be natural persons. K.S.A. 1-308(e), as revised, states that professional corporations inside a partnership with other corporations or individuals shall not be registered, unless a partnership was formed before January 1, 2007.

Our firm was formed in 1990, comprising of two professional corporations as partners, because at that time limited liability companies did not exist. This was the only way we could provide some level of limited liability for partners of the firm for actions that they were not involved in. Since that time, we have added two additional partners as professional corporation and we would like to add several more in the near future under this structure that has worked well for us for over twenty years.

Once we had proposed adding a fifth partner as a professional corporation, we were told it was no longer possible due to the change in accounting laws created in 2007. When the potential fifth partner requested approval in January 2010 with the board, he was denied due to revised K.S.A. 1-308.

*FI & I Committee  
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Attachment 1*

We feel that the structure we have is very beneficial to our practice of accounting, in our communities that average between 1,500-2,000 citizens in Northwest Kansas. This is an area, as you are all aware, that has significant population declines and we have had severe problems obtaining accountants in Northwest Kansas forcing us to close one office for failure to obtain a CPA for that office and we have had difficulty in filling an accounting position in another office several times.

Three of the current partners have or do actively farm and the proposed new partner is actively farming with his family on a part-time basis. This is a fairly common situation for Northwest Kansas as most of the young professionals probably have some type of farm background to draw them back to our communities. Once a young professional has been asked to become a partner and goes forward to explore that opportunity and receives professional legal advice, many times he/she would be informed that joining the partnership as a non-incorporated entity would expose them to additional risk for them and their family. This would make their family's farm acquired over several generations exposed in a potential lawsuit for an action they were not responsible for.

Most of our young accountants are female and will be the next group in the future of the partnership. Some of them are married to local farmers or businessmen. Joining the firm as a partner would appear unattractive, if the protection of being a professional corporation would not be available, thereby making their family's business exposed to increased risk.

Limiting partners as professional corporations would stifle the growth of accounting practices in already small Northwest Kansas and eventually force a lot of firms to die or disband and become sole practitioners with limited resources for accounting services to our citizens. In addition, the new audit requirements have forced sole practitioners to get out of auditing and it would create a vacuum of firms to audit the municipalities and businesses in Northwest Kansas without going to large firms located in the metropolitan areas.

We feel the continuation of this restriction is detrimental to rural Kansas and the business environment to grow in Kansas. As an example, if you had two sole practitioners operating as a professional corporation, they could not merge into a firm without forcing them to change their operating structure for no sound business reason and possibly causing significant tax consequences.

Therefore, we respectfully request that the committee recommend to the legislature to pass this bill to allow partnerships to have professional corporations as partners.

Thank you for your time and I will be happy to answer any questions.

Sincerely,

*Denis W Miller*

Certified Public Accountant  
MAPES & MILLER CPAs

Phillipsburg, Kansas

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**March 7, 2011**



100 SE 9<sup>th</sup> Street, Suite 502

Topeka, Kansas 66612-1213

**T:** (785) 272-4366

**F:** (785) 272-4468

HB 2124

Testimony Before the Senate Committee on Financial Institutions and Insurance  
Mary MacBain, Executive Director

Chairman Teichman and Members of the Committee:

I am Mary MacBain, Executive Director of the Kansas Society of CPA's (KSCPA).  
We have 2,600 members in the state of Kansas in public accounting, business,  
industry, government, and education.

We are here today to support HB 2124, concerning the structure of accounting  
practices in the State of Kansas as passed by the House.

The Executive Committee of the KSCPA supports this change and believes that it  
is good public policy for the state of Kansas.

We encourage your favorable consideration of HB 2124. Thank you for your time.

*FI & I Committee  
3-7-11  
Attachment 2*