

MINUTES OF THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE.

The meeting was called to order by Chairperson Al Lane at 9:06 a.m. on February 18, 2000 in Room 521-S of the Capitol.

All members were present except: Rep. Jerry Henry - excused
 Rep. Joe Humerickhouse - excused
 Rep. Mike O'Neal - excused
 Rep. Rick Rehorn - excused

Committee staff present: Bob Nugent, Revisor of Statutes
 Jerry Donaldson, Legislative Research Department
 Dennis Hodgins, Legislative Research Department
 Bev Adams, Committee Secretary

Conferees appearing before the committee: T. C. Anderson, KSCPA
 Jim Gordon, Public Accountant Association of Kansas

Others attending: See attached list

Hearing on: HB 2938 - Relaxation of restrictions on interstate practice of public accountancy

T. C. Anderson, Kansas Society of Certified Public Accountants (KSCPA), testified in support of the bill. He introduced to the committee Jim Clark, President of the Kansas Society of Certified Public Accountants, and Ted Middendorf, a member of the Board of Accountancy. The bill will not relax the restrictions on the interstate practice of public accountancy but will eliminate much of the paper work currently required of practitioners coming into Kansas and of Kansas practitioners seeking entry into other states, plus much more. He briefly discussed each section of the bill. The changes contained in **HB 2938** modernizes the Kansas accountancy law for the CPA practice of tomorrow. At the back of his testimony is a balloon with a few technical amendments that would further clean up the bill. He answered several questions from the committee during his testimony. (Attachment 1)

Jim Gordon, Public Accountant Association of Kansas, appeared before the committee in support of the bill. Over the last two years the association has worked with the Kansas Society of Certified Public Accountants and the Board of Accountancy to develop a legislative plan for Kansas. The association recommends the bill and supports its passage. (Attachment 2)

No others were present to testify for or against the bill and Chairman Lane closed the hearing.

Chairman Lane adjourned the meeting at 9:40 a.m. The next scheduled meeting will be February 22, 2000.

HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE GUEST LIST

DATE: February 18, 2000

NAME	REPRESENTING
<i>Debra Owen</i>	<i>Board of Accountancy</i>
<i>LED Widdendorf</i>	<i>Board of Accountancy</i>
<i>Jim Clark</i>	<i>KS CPA</i>
<i>T.C. Anderson</i>	<i>KS CPA</i>
<i>Seth Gordon</i>	
<i>Adriana Silva</i>	<i>Brazil</i>
<i>James L Gordon</i>	<i>Public Accts Assn Ks</i>
<i>Joyce E. Schertz</i>	" "
<i>MARY FEIGHNY</i>	<i>Ks Attorney General</i>
<i>Pat Hubbell</i>	<i>PAAK</i>
<i>Glaine Frishie</i>	<i>Div. of the Budget</i>
<i>Kenn Barone</i>	<i>then I wear charts.</i>



**Kansas Society of
Certified Public Accountants**

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Testimony on H.B. 2938

Presented to the

House Committee on Business, Commerce and Labor

By

T.C. Anderson
Executive Director
Kansas Society of Certified Public Accountants

February 18, 2000

HOUSE BUSINESS, COMMERCE & LABOR
2-18-2000
Attachment 1

Chairman Lane, and members of the Committee:

I am T.C. Anderson, Executive Director of the 2,600 member Kansas Society of Certified Public Accountants.

I appear before you today in support of HB 2938 and to ask for your favorable consideration of the bill.

Let me assure you HB 2938 will not relax the restrictions on the interstate practice of public accountancy *as suggested in your meeting notice*. If enacted, however, it will eliminate much of the paper work currently required of practitioners coming into Kansas and of Kansas practitioners seeking entry into other states, plus much more.

I would like to take a few minutes to briefly discuss each section of the HB 2938. Mr. Chairman, if it is helpful to members of the Committee, I will respond to questions on any section as I discuss it.

New Section 1 (beginning on page 1) defines terms that are used in the act.

New Section 2 (beginning on page 3, line 35) is one of the cornerstones of the Uniform Accountancy Act (UAA) adopted by the National Association of State Boards of Accountancy (NASBA) and the American Institute of CPAs (AICPA). New section 2 will enact a program of substantial equivalency that will simplify the movement across state lines of persons holding licenses to practice. The NASBA National Qualification Appraisal Service has determined Kansas, and 38 other states, meet the education, examination and experience requirements of the UAA.

With the enactment of HB 2938, the Kansas Board of Accountancy (Board) may grant the right to practice in Kansas to licensees from those 38 states upon notification to the Board. These licensees would then be required, within a reasonable period of time, to complete a notification form, pay a fee equal to the Kansas permit fee, and provide proof of a current peer review if they will be performing attest services. These licensees will be required to comply with the Kansas accountancy law and the Board's rules and regulations. A licensee who comes from a state that has not been determined to be substantially equivalent, but who personally meets the education, examination and experience requirements as determined by the National Qualification Appraisal Service, also may be accorded substantial equivalency. (*UAA*)

Section 3 (beginning on page ~~5~~, line ~~3~~) provides cleanup to K.S.A.1-201 by removing references to a member of the Board of Accountancy being a Licensed Municipal Public Accountant (LMPA). The number of LMPAs licensed to practice has been below the 25 licensee threshold for a number of years. Per the statute, a second public member has filled this appointment to the Board.

Section 4 (beginning on page 5, line 38) details the duties of the Board and provides a list of rules and regulations the Board may adopt, amend or revoke in administering and enforcing this act. *(UAA)*

Section 5 (beginning on page 7, line 2) provides a cleanup of titles.

Section 6 (beginning on page 7, line 15) authorizes the Board to collect a fee from CPAs who enter the state under New Section 2 (Substantial Equivalency), and for the annual registration of Kansas CPA firms.

Section 7 (beginning on page 8, line 30) adds a qualification of “good moral character” to the qualifications for a Kansas certificate. The Board has suggested a definition of “good moral character” as *a lack of a history of dishonest or felonious acts*. Any candidate denied a certificate on the ground of failure to satisfy this requirement will be accorded a hearing pursuant to the Kansas Administrative Procedures Act. *(UAA)*

Section 8 (beginning on page 8, line 43) removes the reference to the educational requirement for admission to the CPA examination in effect prior to June 30, 1997.

Section 9 (beginning on page 9, line 36) amends the experience requirement necessary to obtain a Kansas permit to practice. The one-year’s experience would be verified rather than supervised by a permit holding CPA, and it would be acceptable if it was gained through employment in government, industry, academia or public practice. Prior to supervising an attest engagement or signing the accountant’s report on financial statements, the permit holder would need to meet experience or competency requirements set by professional standards. The Board through rules and regulations will adopt these standards. The standards will replace the current requirement of an additional year’s public accounting experience including at least 1,000 hours of attest work. In addition, the Board may, at its discretion, grant a Kansas certificate and permit to a practicing CPA from another state who wishes to establish his or her principal place of business in Kansas, if the individual receives verification from the National Qualification Appraisal Service that his or her CPA qualifications are deemed to be substantially equivalent. *(UAA)*

Section 10 (beginning on page 11, line 10) reduces by one year the amount of public accounting experience necessary for a holder of a license in another state to obtain a reciprocal Kansas certificate, if that person doesn’t meet the current Kansas education and experience requirements. It also clarifies that this experience can be obtained within the state. *(UAA)*

Section 11 (beginning on page 12, line 14) permits non-licensees to become owners in CPA firms registered with the Board with the condition that all non-licensee owners will be required to be active participants in the activities of the firm and they must be of good moral character (as defined in Section 7).

Passive investment owners will not be allowed. A simple majority or more of the ownership of the firm, in terms of equity capital and voting rights of all partners, shareholders and/or members, must belong to the holders of valid licenses to practice as certified public accountants in some state. The firm and all of its ownership must comply with rules and regulations promulgated by the Board. *(UAA)*

Section 12 (beginning on page 14, line 24) removes the commencing on July 1, 1981 and 1983 language for the biennial issuing of permits to practice. It also clarifies that a person may renew a permit that has lapsed for a period of less than one year by paying the appropriate fee. If the permit has lapsed for more than one year, the person must provide evidence of obtaining 40 hours of continuing education and pay the appropriate fee.

Section 13 (beginning on page 16, line 3) increases the administrative fine authority of the Board from \$1,000 to \$2,000 and amplifies the causes for which a fine may be assessed against a certificate or permit holder. Members of the committee, you may recall proposed amendments to K.S.A. 1-311 were introduced in both 1998 and 1999 at the request of the Board. Each of those bills sought to remove the current “willful standard” accorded licensees relating to a violation of the Code of Professional Conduct. H.B. 2938 retains the “willful standard” for a violation of the Code of Conduct, but gives the Board the authority to discipline a licensee for a violation of any other rule or regulation or any accountancy statute. *(UAA)*

Section 14 (beginning on page 17, line 26) clarifies that a person must hold a valid Kansas permit and a firm must hold a valid registration to practice certified public accountancy in this state. Only permit holding certified public accountants can issue a report on financial statements that references the American Institute of Certified Public Accountants. Clarification also is provided that use of the term “public accountant” without the word “certified” is not implying one is a *certified public accountant*. The act also makes it clear the practice of public accountancy by persons not required to have a permit, including public accountants, is not prohibited. The maximum fine that could be assessed for a violation of these provisions is increased from \$500 to \$1,000.

Section 15 (beginning on page 18, line 33) updates the statutory language dealing with holding out as a certified public accountant.

Finally, **K.S.A. 1-317** dealing with temporary practice in the Kansas by out of state licensees is being repealed. Temporary practice will be replaced by the program of substantial equivalency. *(UAA)*

Members of the committee, I believe HB ~~2938~~ is a win-win for all involved.

The public wins 1.) through the Board’s enhanced authority to regulate the practice of public accountancy, 2.) through non-licensee ownership that allows firms to provide more diverse services clients are seeking and demanding, and 3.) through substantial

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equivalency that will allow Kansas companies to receive immediate assistance from out of state CPAs who have developed a needed expertise.

The public accountants of Kansas win through enactment of statutory language assuring their right to practice public accountancy.

The Board wins 1.) through language clarifying the need for a person to hold a Kansas permit for the privilege of practicing certified public accountancy and 2.) through the expanded list of causes that it may take disciplinary action against licensees.

The CPAs of Kansas win 1.) through their abilities to enhance practice opportunities and meet the ever-expanding needs of clients, and 2.) through being able to more easily move across state lines to practice.

Let me expand briefly on the two cornerstones of this act.

In 1994 Nebraska became the first state to enact non-licensee ownership in CPA firms. Since then 21 other states have followed suit, three others including Colorado have enabling legislation pending, and at least three others including Missouri and Iowa are expected to seek introduction of such legislation within the next month. To the best of my knowledge no state has experienced any problems with non-licensee ownership in CPA firms. The amendments to K.S.A. 1-308 will allow CPA firms to override the current Kansas requirement that all professional owners in a firm be licensed practitioners in order to practice as professional corporations, limited liability companies or limited liability partnerships.

As I mentioned in the discussion of New Section 2, the National Qualification Appraisal Service has deemed 39 states to be substantially equivalent relative to education, examination and experience requirements. To date 12 of those states have enacted laws easing the paper work requirements for practicing across state lines, three others have legislation pending and three more, including Missouri and Iowa, are expected to seek introduction of such legislation.

Mr. Chairman, attached to this testimony are a few technical amendments.

The changes contained in HB ~~2939~~ 2938 modernize the Kansas accountancy law for the CPA practice of tomorrow.

It will give CPAs the tools necessary to meet the requests for additional services from their clients.

It provides additional safeguards and tools for the Board of Accountancy to fulfill its obligation to regulate the profession and to protect the public.

I hope that when the Committee reports, it will report HB 2938 favorable for passage. Thank you, I'll be happy to stand for questions.

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1 issued under K.S.A. 1-302 and amendments thereto, or a certificate as a
2 certified public accountant issued after examination under the law of any
3 other state.

4 (g) "Client" means a person or entity that agrees with a permit holder
5 to receive any professional service.

6 (h) "Equity capital" means (1) capital stock, capital ~~accounts~~, accounts, capital
7 contributions or undistributed earnings of a registered firm as referred
8 to in K.S.A. 1-308 and amendments thereto; and (2) loans and advances
9 to a registered firm made or held by its owners. "Equity capital" does not
10 include an interest in bonuses, profit sharing plans, defined benefit plans
11 or loans to a registered firm from banks, financial institutions or other
12 third parties that do not actively participate in such registered firm.

13 (i) "Good moral character" means lack of a history of dishonest or
14 felonious acts, ~~an element of which involves dishonesty or false statement~~ → delete all after comma.
15 ~~or a felony punishable by death or imprisonment of more than one year~~
16 ~~under the law by which the conviction occurred.~~

17 (j) "Active license" means a certificate or a permit to practice issued
18 by another state that is currently in force and authorizes the holder to
19 practice certified public accountancy.

20 (k) "Licensee" means the holder of a certificate or a permit to prac-
21 tice issued by this state or another state.

22 (l) "Manager" means a manager of a limited liability company.

23 (m) "Member" means a member of a limited liability company.

24 (n) "NASBA" means the national association of state boards of
25 accountancy.

26 (o) "Nonattest" means providing the following services:

27 (1) The preparation of tax returns and providing advice on tax
28 matters;

29 (2) management advisory, consulting, litigation support and assur-
30 ance services, except for attest services;

31 (3) financial planning; and

32 (4) any other financial service not included in the statements on au-
33 diting standards, the statements on standards for accounting and review
34 services, the standards for attestation engagements as developed by the
35 American institute of certified public accountants or as defined by the
36 board.

37 (p) "Practice of certified public accountancy" means performing or
38 offering to perform attest or nonattest services for the public while using
39 the designation "certified public accountant" or "C.P.A." in conjunction
40 with such services.

41 (q) "Practice of public accountancy" means performing or offering to
42 perform attest or nonattest services for the public by a person not re-
43 quired to have a permit to practice or a firm not required to register with

1 poses of this act. The board shall meet at the call of the chairperson but
 2 not less than twice each year and shall have a seal. The chairperson and
 3 the secretary of the board shall have the power to administer oaths.

4 (b) The board shall keep records of all proceedings and actions by
 5 and before it. In any proceedings in court, civil or criminal, arising out of
 6 or founded upon any provisions of this act, copies of such records which
 7 are certified as correct by the secretary of the board under the seal of the
 8 board shall be admissible in evidence and shall be prima facie evidence
 9 of the correctness of the contents thereof.

10 (c) The board, ~~from time to time, shall may:~~ (1) ~~Adopt, amend, and~~
 11 ~~revoke rules of professional conduct;~~

12 ~~—(2) (1) provide for certification, notification and registration and issue~~
 13 ~~permits to practice in accordance with the provisions of this act;~~

14 ~~(3) keep accounts of its receipts and disbursements;~~

15 ~~—(4) keep a register of Kansas certificates issued by the board;~~

16 ~~—(5) revoke, suspend and reinstate certificates, registrations and~~
 17 ~~permits;~~

18 ~~—(6) initiate proceedings and hold hearings and do all things necessary~~
 19 ~~to carry out the intent of this act.~~

20 (2) *adopt, amend and revoke rules and regulations governing its ad-*
 21 *ministration and enforcement of this act, including but not limited to: (A)*
 22 *Educational qualifications required under K.S.A. 1-302a and amendments*
 23 *thereto; (B) experience qualifications required under K.S.A. 1-302b and*
 24 *amendments thereto; (C) continuing professional education qualifications*
 25 *required under K.S.A. 1-310 and amendments thereto; (D) professional*
 26 *conduct directed to controlling the quality of services by licensees, and*
 27 *dealing among other things with independence, integrity and objectivity,*
 28 *competence and technical standards, responsibilities to the public and*
 29 *clients, commissions and referral fees, contingent fees, advertising, firm*
 30 *names, discreditable acts and communication with the board; (E) profes-*
 31 *sional standards applicable to licensees; (F) the manner and circumstances*
 32 *of use of the titles "certified public accountant" and "C.P.A."; (G) peer*
 33 *reviews required in K.S.A. 1-501 and amendments thereto; (H) the defi-*
 34 *nition of substantial equivalency for purposes of section 2 and amend-*
 35 *ments thereto; and (I) such other rules and regulations as the board may*
 36 *deem necessary to regulate the practice of certified public accountancy.*

37 (d) The board shall: (1) *Keep accounts of its receipts and disburse-*
 38 *ments; (2) keep a register of Kansas certificates issued by the board; (3)*
 39 *deny, revoke, suspend and reinstate certificates, notifications, firm reg-*
 40 *istrations and permits; and (4) initiate proceedings, hold hearings and do*
 41 *all things necessary to regulate the practice of certified public*
 42 *accountancy.*

43 ~~(d)~~ (e) A majority of the board shall constitute a quorum for the trans-

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1 months or less, an amount equal to 1/2 the amount of the fee fixed under
2 paragraph (4), subject to paragraph (7);

3 (6) for issuance of a duplicate permit to practice for the holder of a
4 Kansas certificate, an amount not to exceed \$25;

5 (7) for ~~issuance or renewal~~ *reinstatement* of a permit to practice in
6 the case of the holder of a Kansas certificate who had in some prior year
7 held a permit to practice but who did not hold such a permit for the year
8 immediately preceding the period for which a permit to practice is re-
9 quested, or who, if holding a permit to practice for such period imme-
10 diately preceding applies for renewal subsequent to the expiration date
11 of such permit, an amount equal to 1 1/2 times the amount of the fee then
12 fixed under paragraph (3) or paragraph (4), whichever is applicable;

13 (8) to proctor the uniform certified public accountant examination to
14 a candidate of another state who is temporarily in this state at the time
15 of the examination an amount not to exceed \$200 per examination;

16 (9) *for notification or renewal of notification required pursuant to*
17 *section 2, and amendments thereto, an amount not to exceed \$150; and*

18 (10) ~~annual firm reinstatement, an amount not to exceed \$50.~~

for registration

19 (c) On or before May 30 each year, the board shall determine the
20 amount of funds that will be required during the ensuing year to carry
21 out and enforce the provisions of law administered by the board and may
22 adopt rules and regulations to change any fees fixed under this section as
23 may be necessary, subject to the limitations prescribed by this section.
24 Upon changing any renewal fees as provided by this section, the board
25 shall immediately notify all holders of permits to practice of the amount
26 of such fees. The fees fixed by the board and in effect under this section
27 immediately prior to the effective date of this act shall continue in effect
28 until such fees are fixed by the board by rules and regulations as provided
29 by this section.

30 Sec. 7. K.S.A. 1999 Supp. 1-302 is hereby amended to read as fol-
31 lows: 1-302. (a) ~~The certificate of having passed the certified public ac-~~
32 ~~countant examination shall be known as the Kansas certificate and shall~~
33 ~~be granted by the board to any person (a) of good moral character who:~~
34 (1) Is a resident of this state or has a place of business or is employed
35 therein, ~~(b) who;~~ (2) meets the applicable educational requirements pre-
36 scribed by K.S.A. 1-302a, and amendments thereto; and ~~(c) who~~ (3) has
37 passed a written examination in accounting and auditing and in such
38 other related subjects as the board may determine to be appropriate.

delete

39 (b) *The board may refuse to grant a certificate on the ground of fail-*
40 *ure to satisfy the good moral character requirement subject to notice and*
41 *an opportunity for the person to be heard pursuant to the Kansas admin-*
42 *istrative procedures act.*

43 Sec. 8. K.S.A. 1-302a is hereby amended to read as follows: 1-302a.

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1 a certificate and permit to such individual who obtains from the NASBA
 2 national qualification appraisal service verification that such individual's
 3 C.P.A. qualifications are substantially equivalent to the C.P.A. licensure
 4 requirements of the uniform accountancy act. An application under this
 5 section may be made through the NASBA qualifications appraisal service
 6 or similar organization approved by the board. Any individual meeting
 7 the requirements set forth in this subsection who is denied a certificate
 8 and a permit to practice shall have the opportunity to be heard pursuant
 9 to the Kansas administrative procedures act.

10 Sec. 10. K.S.A. 1999 Supp. 1-307 is hereby amended to read as fol-
 11 lows: 1-307. (a) The board, in its discretion, may waive the examination
 12 of and may issue a ~~Kansas~~ certificate to a holder of a certificate as "c-
 13 ertified public accountant" issued under the laws of any state upon a
 14 showing that:

15 (1) The applicant passed the examination required for issuance of the
 16 applicant's certificate with grades that would have been passing grades at
 17 the time in this state; and

18 (2) the applicant (A) meets all current ~~education and experience~~ delete
 19 requirements in this state for the issuance of a certificate at the time
 20 application is made, ~~or~~ (B) at the time of the issuance of the applicant's or
 21 certificate in the other state, met all such requirements then applicable
 22 in this state ~~or~~, (C) had ~~five~~ four years' experience outside this state in or
 23 the practice of public accountancy of the type described in subsection (a)
 24 of K.S.A. 1-302b, and amendments thereto, after passing the examination
 25 upon which the applicant's certificate was based and within the 10 years
 26 immediately preceding the application.

27 (b) The board shall issue a certificate to a holder of a foreign desig-
 28 nation, granted in a foreign country entitling the holder thereof to engage
 29 in the practice of ~~public accountancy~~, provided that: certified

30 (1) The foreign authority which granted the designation makes sim-
 31 ilar provision to allow a person who holds a valid certificate issued by this
 32 state to obtain such foreign authority's comparable designation;

33 (2) the foreign designation: (A) Was duly issued by a foreign authority
 34 that regulates the practice of *certified* public accountancy and the foreign
 35 designation has not expired or been revoked or suspended; (B) entitles
 36 the holder to issue reports upon financial statements; and (C) was issued
 37 upon the basis of educational, examination and experience requirements
 38 established by the foreign authority or by law;

39 (3) the applicant: (A) Received the designation, based on educational
 40 and examination standards substantially equivalent to those in effect in
 41 this state at the time the foreign designation was granted; (B) completed
 42 an experience requirement, substantially equivalent to the requirement
 43 set out in K.S.A.1-302b, and amendments thereto, in the jurisdiction

1 which granted the foreign designation; and (C) passed a uniform quali-
 2 fying examination in national standards and an examination on the laws,
 3 regulations and code of ethical conduct in effect in this state acceptable
 4 to the board; and

5 (4) the applicant shall in the application list all jurisdictions, foreign
 6 and domestic, in which the applicant has applied for or holds a designation
 7 to practice public accountancy.

8 Each holder of a certificate issued under this subsection shall notify
 9 the board in writing, within 30 days after its occurrence, of any issuance,
 10 denial, revocation or suspension of a designation or commencement of a
 11 disciplinary or enforcement action by any jurisdiction. The board has the
 12 sole authority to interpret the application of the provisions of this
 13 subsection.

14 Sec. 11. K.S.A. 1999 Supp. 1-308 is hereby amended to read as fol-
 15 lows: 1-308. (a) ~~A partnership, including a limited liability partnership,~~
 16 ~~may engage in practice in this state as certified public accountants, if it~~
 17 ~~registers annually with the board and Notwithstanding any other provi-~~
 18 ~~sion of Kansas law, any individual who operates as a sole practitioner and~~
 19 ~~who issues reports subject to peer review, any general partnership, limited~~
 20 ~~liability partnership, general corporation, professional corporation or lim-~~
 21 ~~ited liability company, hereafter referred to as a "firm" may be organized~~
 22 ~~for the practice of certified public accountancy and may engage in the~~
 23 ~~practice in this state if it registers annually with the board, it complies~~
 24 ~~with requirements established by rules and regulations adopted by the~~
 25 ~~board for such registration, and it meets the following requirements:~~

26 (1) At least one general partner, shareholder or member thereof must
 27 be a certified public accountant of this state holding a valid permit to
 28 practice;

29 (2) each partner, shareholder or member who is a certified public
 30 accountant thereof personally engaged within this state in a practice of
 31 certified public accounting ~~as a member thereof~~ must be a certified public
 32 accountant of this state holding a valid permit to practice;

33 (3) each partner, shareholder or member who is a certified public
 34 accountant thereof must be a certified public accountant in some state in
 35 good standing; ~~and~~

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

39 (5) *at least a simple majority of the ownership of the firm, in the terms*
 40 *of equity capital and voting rights of all partners, shareholders and/or*
 41 *members, belongs to the holders of valid licenses to practice as certified*
 42 *public accountants in some state. All nonlicensee owners must be of good*
 43 *moral character and must be natural persons actively participating in the*

delete

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1 *business of the firm or entities, such as partnerships, professional corpo-*
 2 *rations or other business associations, that are affiliated with the firm,*
 3 *provided that each ultimate beneficial owner of an equity interest in such*
 4 *an affiliated entity shall be a natural person actively participating in the*
 5 *business of the firm or affiliated entity. Although firms may include non-*
 6 *licensee owners, the firm and its ownership must comply with rules and*
 7 *regulations promulgated by the board.*

8 (b) Nothing in this section shall prohibit a professional corporation
 9 from practicing in partnership with one or more corporations or individ-
 10 uals and being registered with the board as a partnership under this sec-
 11 tion if:

12 ~~—(1) The professional corporation is duly organized under the profes-~~
 13 ~~sional corporation law of Kansas and remains in good standing~~
 14 ~~thereunder;~~

15 ~~—(2) all qualified shareholders hold valid permits to practice as certified~~
 16 ~~public accountants and, if engaged in the practice within this state, hold~~
 17 ~~a valid permit to practice issued by the board;~~

18 ~~—(3) each resident manager in charge of an office of the partnership~~
 19 ~~in this state is a certified public accountant of this state holding a valid~~
 20 ~~permit to practice issued by the board, and~~

21 ~~—(4) each individual practicing in partnership with the professional cor-~~
 22 ~~poration is a certified public accountant holding a valid permit to practice~~
 23 ~~and, if engaged in the practice within this state, holds a valid permit to~~
 24 ~~practice issued by the board.~~

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

29 (d) ~~Application for registration under this section shall be made upon~~
 30 ~~the affidavit of a general partner of the partnership. If the general partner~~
 31 ~~making application is a professional corporation, the affidavit submitted~~
 32 ~~on its behalf shall be executed by the president or secretary of such cor-~~
 33 ~~poration. The board shall in each case determine whether the applicant~~
 34 ~~is eligible for registration. No~~ *The firm shall designate a permit holder of*
 35 *this state who is responsible for the proper registration of the firm and*
 36 *shall identify that individual to the board by affidavit of a general partner,*
 37 *manager or officer of the firm. A fee shall may be charged for the regis-*
 38 *tration of a partnership firm.*

39 (e) A partnership firm which is so registered in accordance with this
 40 section may use the words "certified public accountants" or the abbrevi-
 41 ation "C.P.A." in connection with its partnership name. Notification
 42 shall be given the board, within one month, after the admission or with-
 43 drawal of a partner, shareholder or member from any partnership firm so



THE PUBLIC ACCOUNTANTS ASSOCIATION OF KANSAS, INC.

February 17, 2000

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Testimony offered to the Kansas House of Representatives Committee on Business, Commerce and Labor regarding House Bill No. 2938.

The Public Accountants Association of Kansas, Inc. would like to thank the Committee on Business, Commerce and Labor for their time and consideration of our comments related to proposed legislation.

I would like to tell you just a little about our association. For over 50 years our association has represented accountants in the state of Kansas. We are affiliated with the National Society of Public Accountants. We are proud to include both CPA's and Public Accountant's as members.

In Kansas, Public Accountants have enjoyed an excellent working relationship with Certified Public Accountants. Not all states have been that lucky. I am not exaggerating when I report that in many states, legislative and legal battles costing hundreds of thousands of dollars have been raging over the last twenty years regarding the rights of Public Accountants to practice public accounting. Many of these fights have been devastating to the accounting community.

Several years ago, the Board of Accountancy announced their desire to update the Kansas accountancy statutes. We understood their concerns and over the last two years we have worked with the Kansas Society of Certified Public Accountants and the Board of Accountancy to develop a legislative plan for Kansas. We have utilized the best parts of the national Uniform Accountancy Act, however, we have retained the Kansas relationship between certified and non-certified accountants.

We support House Bill No. 2938 because the new legislation:

- Protects the Public by strengthening the ability of the Board of Accountancy to regulate the profession.
- Protects the Public by continuing quality affordable competition.
- Provides for modern ownership structures, including limited non-CPA ownership.
- Provides for easier movement between States through nationwide "Substantial Equivalency" language.
- Continues the emphasis on Quality Assurance, through peer review.
- Protects unlicensed Public Accountants.

We would again like to thank you for your consideration of this important accountancy legislation. Our association recommends House Bill No. 2938 and supports its passage.

Thank You,


James L. Gordon, Legislative Committee Chairman
HOUSE BUSINESS, COMMERCE & LABOR
2-18-2000 **Attachment 2**