

HOUSE BILL No. 2536

AN ACT concerning accountants; relating to licensure; amending K.S.A. 2015 Supp. 1-307, 1-308, 1-311, 1-312, 1-321 and 1-322 and repealing the existing sections.

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

Section 1. K.S.A. 2015 Supp. 1-307 is hereby amended to read as follows: 1-307. (a) The board, in its discretion, may waive the examination of and may issue a certificate to a holder of a certificate as a “certified public accountant” issued under the laws of any state upon a showing that:

(1) The applicant passed the examination required for issuance of the applicant’s certificate with grades that would have been passing grades at the time in this state; and the applicant: (A) Meets all current requirements in this state for the issuance of a certificate at the time application is made;; (B) at the time of the issuance of the applicant’s certificate in the other state, met all such requirements then applicable in this state;; or (C) had four years of experience of the type described in ~~subsection (a) of K.S.A. 1-302b(a)~~, and amendments thereto, after passing the examination upon which the applicant’s certificate was based and within the 10 years immediately preceding the application; or

(2) the applicant meets the substantial equivalency standard set out in either ~~paragraph (1) or paragraph (2) of subsection (a) of K.S.A. 1-322(a)(1) or (2)~~, and amendments thereto.

(b) The board shall issue a certificate to a holder of a foreign designation, granted in a foreign country entitling the holder thereof to engage in the practice of certified public accountancy, provided that:

(1) The foreign authority which granted the designation makes similar provision to allow a person who holds a valid certificate issued by this state to obtain such foreign authority’s comparable designation;

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authority that regulates the practice of certified public accountancy and the foreign designation has not expired or been revoked or suspended; (B) entitles the holder to issue reports upon financial statements; and (C) was issued upon the basis of educational, examination and experience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

(3) the applicant: (A) Received the designation, based on educational and examination standards substantially equivalent to those in effect in this state at the time the foreign designation was granted; (B) completed an experience requirement, substantially equivalent to the requirement set out in K.S.A. 1-302b, and amendments thereto, in the jurisdiction which granted the foreign designation; and (C) passed a uniform qualifying examination in national standards and an examination on the laws, regulations and code of ethical conduct in effect in this state acceptable to the board; and

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

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

Sec. 2. K.S.A. 2015 Supp. 1-308 is hereby amended to read as follows: 1-308. (a) Unless exempt from registration pursuant to this section, a firm may engage in the practice of certified public accountancy in this state only if the firm registers with the board, complies with requirements established by rules and regulations adopted by the board for such registration, and meets the following requirements:

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

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

(3) each partner, shareholder or member who is a certified public

accountant thereof must be a certified public accountant in some state in good standing;

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

(5) at least a simple majority of the ownership of the firm, in the terms of equity capital and voting rights of all partners, shareholders or members, belongs to the holders of valid licenses to practice as certified public accountants in some state. All nonlicensee owners must be of good moral character and must be natural persons actively participating in the business of the firm or actively participating in the business of entities, such as partnerships, corporations or other business associations, that are affiliated with the firm. Although firms may include nonlicensee owners there shall be at least one certified public accountant who has ultimate responsibility for all the services provided by the firm and, the firm and its ownership must comply with rules and regulations promulgated by the board. Any firm which is denied registration pursuant to this section shall be entitled to notice and an opportunity to be heard pursuant to the Kansas administrative procedures act.

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

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

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

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

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

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

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

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

(e) Nothing in this section shall prohibit a professional corporation from practicing in partnership with one or more professional corporations or individuals and being registered with the board as a partnership under this section.

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

(g) Each firm required to register under this section shall register prior to engaging in the practice of certified public accountancy in this state and shall renew the firm’s registration by December 31 of each year. Each firm shall designate a permit holder of this state, or in the case of a firm which must register pursuant to ~~paragraph (2) of subsection (b)(2)~~ a licensee of another state who meets the requirements set out in ~~subsection (a) of K.S.A. 1-322(a)~~, and amendments thereto, who is responsible for the proper registration of the firm and shall identify that individual to the board by affidavit of a general partner, manager or officer of the firm. A fee may be charged for the registration of a firm.

(h) A firm that is not registered in accordance with this section or not exempt from registration under subsection (c) shall not use the words “certified public accountants” or the abbreviation CPA in connection with its name. Notification shall be given the board, within one month, after the admission or withdrawal of a partner, shareholder or member from any registered firm. Firms which fall out of compliance with the provisions of this section due to changes in firm ownership or personnel shall

take corrective action to bring the firm back into compliance as quickly as possible. The board may grant a reasonable period of time for a firm to take such corrective action. Failure to bring the firm back into compliance within a reasonable period as determined by the board will result in the suspension or revocation of the firm permit.

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

Sec. 3. K.S.A. 2015 Supp. 1-311 is hereby amended to read as follows: 1-311. (a) The board may deny an application for a Kansas certificate, revoke or suspend any certificate issued under the laws of this state, may *deny an application for a permit*, revoke, suspend or refuse to renew any permit issued under K.S.A. 1-310, and amendments thereto, or may revoke or suspend a practice privilege under K.S.A. 1-322, and amendments thereto, ~~and any notification issued pursuant to K.S.A. 1-322, and amendments thereto,~~ may censure the holder of any such permit, certificate, ~~notification~~ or practice privilege, limit the scope of practice of any permit holder, and may impose an administrative fine not exceeding \$5,000, for any one of the following causes:

- (1) Fraud, dishonesty or deceit in obtaining a certificate, permit, firm registration, ~~notification~~ or practice privilege;
- (2) cancellation, revocation, suspension or refusal to renew a person's authority to practice for disciplinary reasons in any other jurisdiction for any cause;
- (3) failure, on the part of a holder of a permit to practice, ~~notification~~ or practice privilege to maintain compliance with the requirements for issuance or renewal of such permit, notification or practice privilege;
- (4) *sanction, censure, disciplinary action or* revocation or suspension of the right to practice, by the PCAOB or any state or federal agency;
- (5) dishonesty, fraud or gross negligence in the practice of certified public accountancy;
- (6) failure to comply with applicable federal or state requirements regarding the timely filing of the person's personal tax returns, the tax returns of the person's firm or the timely remittance of payroll and other taxes collected on behalf of others;
- (7) violation of any provision of this act or rule and regulation of the board except for a violation of a rule of professional conduct;
- (8) willful violation of a rule of professional conduct;
- (9) violation of any order of the board;
- (10) conviction of any felony, or of any crime an element of which is dishonesty, deceit or fraud, under the laws of the United States, of Kansas or of any other state, if the acts involved would have constituted a crime under the laws of Kansas;
- (11) performance of any fraudulent act while holding a Kansas certificate;
- (12) making any false or misleading statement or verification, in support of an application for a certificate, permit, notification or firm registration filed by another;
- (13) failure to establish timely compliance with peer review pursuant to K.S.A. 1-501, and amendments thereto; and
- (14) any conduct reflecting adversely on a person's fitness to practice certified public accountancy.

(b) In lieu of or in addition to any remedy specifically provided in subsection (a), the board may require of a permit holder satisfactory completion of such continuing education programs as the board may specify.

(c) All administrative proceedings pursuant to this section shall be conducted in accordance with the provisions of the Kansas administrative procedure act and the Kansas judicial review act.

Sec. 4. K.S.A. 2015 Supp. 1-312 is hereby amended to read as follows: 1-312. (a) Except as provided in subsection (b), the board may deny an application to register a firm, revoke or suspend a firm's registration, censure a firm, limit the scope of practice of a firm or impose such remedial action as it deems necessary to protect the public interest, or both, and impose an administrative fine not exceeding \$5,000 for any one of the following causes:

- (1) Failure to meet the requirements of K.S.A. 1-308, and amendments thereto;
- (2) fraud, dishonesty or deceit in obtaining a registration;
- (3) *sanction, censure, disciplinary action or* revocation or suspension of a firm's right to practice, by the PCAOB or any state or federal agency;
- (4) dishonesty, fraud or gross negligence in the practice of certified public accountancy;
- (5) violation of any provision of chapter 1 of the Kansas Statutes Annotated, *and amendments thereto*, and rules and regulations promulgated by the board except for a violation of a rule of professional conduct;
- (6) willful violation of a rule of professional conduct;
- (7) violation of any order of the board;
- (8) cancellation, revocation, suspension or refusal to renew the authority of a firm to practice certified public accountancy in any other state;
- (9) conviction of any felony, or of any crime an element of which is dishonesty, deceit or fraud, under the laws of the United States, of Kansas or of any other state, if the acts involved would have constituted a crime under the laws of Kansas; or
- (10) failure to establish timely compliance with peer review pursuant to K.S.A. 1-501, and amendments thereto;

(b) In actions arising under peer review for reports modified for matters relating to attest services, the board may take such remedial action as it deems necessary to protect the public interest. However, the board may not limit the scope of practice of attest services of a firm or limit the scope of practice of attest services of any permit holder under K.S.A. 1-311, and amendments thereto, for failure to comply with generally accepted accounting principles, generally accepted auditing standards and other similarly recognized authoritative technical standards unless:

- (1) The firm has received at least two modified peer review reports during 12 consecutive years relating to attest services and the board finds that the firm has exhibited a course of conduct that reflects a pattern of noncompliance with applicable professional standards and practices; or
- (2) the firm has failed to abide by remedial measures required by a peer review committee or the board.

(c) Nothing in subsection (b) shall be construed to preclude the board from: Limiting the scope of practice of attest services of a firm or limiting the scope of practice of attest services of a permit holder under K.S.A. 1-311, and amendments thereto; or taking such remedial action as the board deems necessary to protect the public interest, after the board's review of an adverse peer review report based on matters relating to attest services if the board determines that the firm failed to comply with generally accepted accounting principles, generally accepted auditing standards and other similarly recognized authoritative technical standards.

(d) After considering AICPA standards on peer review, the board may define, by rules and regulations, the terms "modified" and "adverse."

(e) At the time of suspension or revocation of a firm's registration, the board may suspend or revoke the permit to practice of a member, shareholder or partner of a firm if the permit holder is the only Kansas member, shareholder or partner of the firm. The permit shall be reinstated upon reinstatement of the firm's registration.

(f) All administrative proceedings pursuant to this section shall be conducted in accordance with the provisions of the Kansas administrative procedure act and the Kansas judicial review act.

(g) The board shall not have the power to assess fines under this section if a fine has been assessed for the same or similar violation under the provisions of ~~subsection (a) of~~ K.S.A. 1-311(a), and amendments thereto.

Sec. 5. K.S.A. 2015 Supp. 1-321 is hereby amended to read as follows: 1-321. When used in chapter 1 of the Kansas Statutes Annotated, and amendments thereto, the following terms shall have the meanings indicated:

- (a) "Actively participate" means participation that is continuous as one's primary occupation.
- (b) "Affiliated entity" means one that provides services to the CPA firm or provides services to the public that are complementary to those provided by the CPA firm.

(c) “AICPA” means the American institute of certified public accountants.

(d) “Attest” means providing the following ~~financial statement~~ services:

(1) Any audit or other engagement to be performed in accordance with the statements on auditing standards (SAS);

(2) any audit to be performed in accordance with the Kansas municipal audit guide;

(3) any review of a financial statement to be performed in accordance with the statements on standards for accounting and review services (SSARS);

(4) any engagement, except a compilation, to be performed in accordance with the statements on standards for attestation engagements (SSAE); and

(5) any engagement to be performed in accordance with the standards of the PCAOB.

(e) “Board” means the Kansas board of accountancy established under K.S.A. 1-201, and amendments thereto.

(f) “Certificate” means a certificate as a certified public accountant issued under K.S.A. 1-302, and amendments thereto, or a certificate as a certified public accountant issued after examination under the law of any other state.

(g) “Client” means a person or entity that agrees with a permit holder or firm to receive any professional service.

(h) “Compilation” means providing a service to be performed in accordance with the statements on standards for accounting and review services (SSARS) or the statements on standards for attestation engagements (SSAE) the objective of which is to present in the form of financial statements, information that is the representation of management or owners, or both, without undertaking to express any assurance on the statements.

(i) “Directed” means the location to which the engagement letter is sent.

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

(k) “Firm” means:

(1) An individual who operates as a sole practitioner and who issues reports subject to peer review; or

(2) any business organization including, but not limited to, a general partnership, limited liability partnership, general corporation, professional corporation or limited liability company.

(l) “Good moral character” means lack of a history of professional dishonesty or ~~other a felonious acts act.~~

~~(m) “Home office” means the location specified by the client as the address to which a service described in subsection (d) of K.S.A. 1-322, and amendments thereto, is directed.~~

~~(n)~~(m) “Active license” means a certificate or a permit to practice issued by another state that is currently in force and authorizes the holder to practice certified public accountancy.

~~(o)~~(n) “Licensee” means the holder of a certificate or a permit to practice issued by this state or another state.

~~(p)~~(o) “Manager” means a manager of a limited liability company.

~~(q)~~(p) “Member” means a member of a limited liability company.

~~(r)~~(q) “NASBA” means the national association of state boards of accountancy.

~~(s)~~(r) “Nonattest” means providing the following services:

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

(2) the preparation of any compilation;

(3) management advisory, consulting, litigation support and assurance services, except for attest services;

(4) financial planning;

(5) valuation services; and

(6) any other financial service not included in the statements on auditing standards, the statements on standards for accounting and review services, the standards for attestation engagements as developed by the American institute of certified public accountants or as defined by the board.

~~(t)~~(s) “PCAOB” means the public company accounting oversight board created by the Sarbanes-Oxley act of 2002.

~~(u)~~(t) “Practice of certified public accountancy” means performing or offering to perform attest or nonattest services for the public while using the designation “certified public accountant” or CPA in conjunction with such services.

~~(v)~~(u) “Practice of public accountancy” means performing or offering to perform attest or nonattest services for the public by a person not required to have a permit to practice or a firm not required to register with the board.

~~(w)~~(v) “Principal place of business” means the office location designated by the licensee for purposes of substantial equivalency and reciprocity.

~~(x)~~(w) “Professional” means arising out of or related to the specialized knowledge or skills associated with CPAs.

~~(y)~~(x) “Report,” when used with reference to ~~financial statements~~ *any attest or compilation service*, means an opinion, report or other form of language that states or implies assurance as to the reliability of ~~any the attested information or compiled~~ financial statements and that also includes or is accompanied by any statement or implication that the person or firm issuing it has special knowledge or competence in accounting or auditing. Such a statement or implication of special knowledge or competence may arise from use, by the issuer of the report, of names or titles indicating that the person or firm is an accountant or auditor or from the language of the report itself. The term report includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply any positive assurance as to the reliability of the *attested information or compiled* financial statements referred to or special competence on the part of the person or firm issuing such language; and it includes any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence.

~~(z)~~(y) “Rule” means any rule or regulation adopted by the board.

~~(aa)~~(z) “State” means any state of the United States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam; except that “this state” means the state of Kansas.

~~(bb)~~(aa) “Substantial equivalency” is a determination by the board of accountancy or its designee that the education, examination and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed the education, examination and experience requirements contained in the uniform accountancy act or that an individual CPA’s education, examination and experience qualifications are comparable to or exceed the education, examination and experience requirements contained in the uniform accountancy act. In ascertaining substantial equivalency as used in this act, the board shall take into account the qualifications without regard to the sequence in which experience, education or examination requirements were attained.

~~(cc)~~(bb) “Uniform accountancy act” means model legislation issued by the AICPA and NASBA in existence on July 1, 2007.

Sec. 6. K.S.A. 2015 Supp. 1-322 is hereby amended to read as follows: 1-322. (a) (1) An individual whose principal place of business is not in this state having an active license to practice certified public accountancy from any state which the board or its designee has verified to be in substantial equivalence with the CPA licensure requirements of the uniform accountancy act shall be presumed to have qualifications substantially equivalent to this state’s requirements and may be granted all the privileges of permit holders of this state without the need to obtain a permit issued under K.S.A. 1-310, and amendments thereto; or

(2) an individual whose principal place of business is not in this state having an active license to practice certified public accountancy from any state which the board or its designee has not verified to be in substantial

equivalency with the CPA licensure requirements of the uniform accountancy act shall be presumed to have qualifications substantially equivalent to this state's requirements and may be granted all the privileges of permit holders of this state without the need to obtain a permit to practice issued under K.S.A. 1-310, and amendments thereto, if such individuals certified public accountancy qualifications are substantially equivalent to the following requirements:

(A) Have at least 150 semester hours of college education, including a baccalaureate or higher academic degree, with a concentration in accounting as defined by the home licensing jurisdiction, from a college or university;

(B) obtains credit for passing each of the four test sections of the uniform certified public accountant examination; and

(C) possess at least one year of experience including service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which were verified by a certified public accountant holding an active license to practice.

Any individual who has passed the uniform certified public accountant examination and holds a valid license to practice certified public accountancy issued by another state prior to January 1, 2012, may be exempt from the education requirement in ~~subparagraph (A) of paragraph (2) of subsection (a)(2)(A)~~ for the purposes of this section.

~~(b) Individuals seeking to practice certified public accountancy in Kansas pursuant to subsection (a) shall notify the board prior to commencing practice in this state. Such individuals shall have a reasonable amount of time from the date of such notification to the board to complete an application of notification provided by the board and shall renew such notification on a biennial basis. The board may enact rules and regulations governing notification and renewal. Notwithstanding any other provision of law, an individual who offers or renders professional services on or after November 1, 2009, whether in person, by mail, telephone or electronic means, and possesses the qualifications set forth in paragraph (1) or (2) of subsection (a) shall be granted practice privileges in this state and no notice, fee or other submission shall be provided by any such individual. Permits issued pursuant to this section prior to November 1, 2009, shall continue in effect until the expiration date of the permit.~~

~~(c) The board may charge a fee for such notification and a renewal of such notification pursuant to K.S.A. 1-301, and amendments thereto.~~

~~(d)(b)~~ Any licensee of another state exercising the privilege afforded under subsection ~~(b)~~ (a) and the firm which employs that licensee hereby simultaneously consent, as a condition of the grant of this privilege:

- (1) To the personal and subject matter jurisdiction of this board;
- (2) to the appointment of the state regulatory body which issued their licenses as the agent upon whom process may be served in any action or proceeding by the Kansas board against the licensee;
- (3) to cease offering or rendering professional services in this state individually and on behalf of the firm in the event that the license from the state of the individual's principal place of business is no longer valid; and
- (4) to comply with this act and the board's rules and regulations.

~~(e)(c)~~ An individual who has been granted practice privileges under this section who, for any client ~~having its home office~~ in this state, performs any of the following services: (1) Any audit or other engagement to be performed in accordance with the statements on auditing standards (SAS); (2) any audit to be performed in accordance with the Kansas municipal audit guide; (3) any review of a financial statement to be performed in accordance with the statements on standards for accounting and review services (SSARS); (4) any engagement, except a compilation, to be performed in accordance with the statements on standards for attestation engagements (SSAE); and (5) any engagement to be performed in accordance with the standards of the PCAOB; may only do so through a firm which has registered pursuant to K.S.A. 1-308, and amendments thereto.

~~(f)(d)~~ Any individual prohibited from practicing certified public accountancy in this state, as a result of having a permit, certificate or practice privilege revoked or suspended by the board, shall not be granted practice privileges under this section without first obtaining the approval of the board.

~~(g)~~(e) A holder of a permit to practice issued by this state offering or rendering services or using a CPA title in another state may be subject to disciplinary action in this state for an act committed in another state for which the permit holder would be subject to discipline for an act committed in the other state. The board shall investigate any complaint made by the board of accountancy of another state.

Sec. 7. K.S.A. 2015 Supp. 1-307, 1-308, 1-311, 1-312, 1-321 and 1-322 are hereby repealed.

Sec. 8. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above BILL originated in the HOUSE, and passed that body

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.