

## CHAPTER 149

AN ACT concerning the practice of public accountancy and amending P.L.1997, c.259 and P.L.1999, c.215.

**BE IT ENACTED** *by the Senate and General Assembly of the State of New Jersey:*

1. Section 3 of P.L.1997, c.259 (C.45:2B-44) is amended to read as follows:

C.45:2B-44 Definitions relative to the practice of accounting.

3. As used in this act:

"Attest" means providing any of the following financial statement services: any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS); any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS); or any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE). The statements on standards specified herein shall be adopted by regulation by the board and shall be in accordance with standards developed for general application by recognized national accountancy organizations such as the American Institute of Certified Public Accountants.

"Board" means the New Jersey State Board of Accountancy.

"Compilation" means providing a service, to be performed in accordance with Statements on Standards for Accounting and Review Services (SSARS), by presenting, in the form of financial statements, information that is the representation of management or owners without undertaking to express any assurance on the statements.

"Financial statements" means statements and related footnotes that purport to present an actual or a prospective financial position at a particular time, or results of operations, cash flow, or changes in financial position for a period of time, in conformity with generally accepted accounting principles or another comprehensive basis of accounting. The term includes specific elements, accounts or items of such statements, but does not include: incidental financial data included in management advisory service reports to support recommendations to a client; or tax returns and supporting schedules.

"Firm" means a sole proprietorship, a professional corporation, a partnership, a limited liability company, a limited liability partnership, or any other lawful form of business organization.

"License" means a license or registration issued to an individual or firm permitting the individual or firm to practice public accountancy.

"Licensee" means the holder of a license issued pursuant to this act.

"Manager" means a manager of a limited liability company.

"Member" means a member of a limited liability company.

"Nonlicensee" means a person not licensed as a certified public accountant or a public accountant of any state or possession of the United States or the District of Columbia.

"Owner of a firm" means any person with an equity or equivalent interest in a firm, such as a shareholder with respect to a corporation or a partner with respect to a partnership, or an individual with respect to a sole proprietorship.

"Practice of public accountancy" means the performance or the offering to perform attest services for a client or potential client, by a licensee or registered firm. The "practice of public accountancy" also means the performance or the offering to perform by a licensee of one or more of the following: a compilation of a financial statement to be performed in accordance with SSARS, management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters.

"Practice unit" means any office of a firm registered with the board to engage in the practice of public accountancy in the State of New Jersey.

"Quality review" means a study, appraisal or review of one or more aspects of the professional work of a licensee or registered firm that performs attest or compilation services, by a person who is a certified public accountant or public accountant and who is not affiliated with the licensee or registered firm being reviewed.

"Report" when used with reference to financial statements, means an opinion, report, or other form of language that states or implies assurance as to the reliability of any financial statement

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 that form of language is conventionally understood to imply any positive assurance as to the reliability of the financial statement referred to or special competence on the part of the person or firm issuing that language, or both; and it includes any other form of language that is conventionally understood to imply that assurance or that special knowledge or competence, or both.

2. Section 5 of P.L.1997, c.259 (C.45:2B-46) is amended to read as follows:

C.45:2B-46 Membership; terms; vacancies; removal.

5. The board shall consist of 12 members, seven of whom shall have been engaged in practice as certified public accountants and two of whom shall have been engaged in practice as public accountants in this State, two of whom shall be public members and one of whom shall be a State executive department member. Each certified public accountant board member and public accountant board member shall maintain an active license in New Jersey during his term of service on the board. Each certified public accountant member, public accountant member, and public member shall be appointed by the Governor for a term of three years and shall hold office until reappointed or a successor is appointed and qualified. Any vacancy on the board shall be filled by the Governor for the unexpired term only.

The public members and the State executive department member shall be appointed by the Governor in accordance with and subject to the provisions of P.L.1971, c.60 (C.45:1-2.1 et seq.).

Except for the State executive department member, no member may serve more than two successive terms in addition to any unexpired term to which he has been appointed, except that any member who has served two such successive terms may be reappointed after an intervening period of one year.

The Governor may remove any member of the board, other than the State executive department member, for cause, upon notice and opportunity to be heard.

3. Section 8 of P.L.1997, c.259 (C.45:2B-49) is amended to read as follows:

C.45:2B-49 Application for licensure; requirements.

8. Every applicant for examination for licensure as a certified public accountant shall present to the board a written application on a form to be provided by the board, together with the required fee, and satisfactory proof of the following:

- a. That the applicant is at least 18 years of age;
- b. That the applicant is of good moral character; and
- c. That the applicant has at least 150 semester hours of education, including a baccalaureate or higher degree or its equivalent, from an institution of higher education accredited by a regional accrediting agency recognized by the Commission on Higher Education. The educational program shall include a concentration in accounting or its equivalent and related professional courses as determined by regulation of the board.

Notwithstanding the provisions of subsection c. of this section, an applicant who applies prior to July 1, 2005 shall qualify for examination for licensure if he has a baccalaureate degree or its equivalent from an institution of higher education acceptable to the board; provided, however, that no applicant shall be issued a license unless he has successfully completed at least the 150 semester hours of education required pursuant to subsection c. of this section.

4. Section 12 of P.L.1997, c.259 (C.45:2B-53) is amended to read as follows:

C.45:2B-53 Waiving of examination.

12. a. The board may waive the examination of, and issue a license to, any person who is of good moral character, and who, at the time of his application, holds a valid and unrevoked license as a certified public accountant issued by or under the authority of any state or possession of the United States or the District of Columbia which has education, experience, examination and re-examination requirements which are substantially equivalent to the requirements of this act and the regulations promulgated pursuant to this act for the issuance of a license as a certified public accountant.

b. The board may waive the examination of, and issue a license to, an applicant who within 10 years immediately preceding the date of application has held a valid and unrevoked license as a certified public accountant issued by or under the authority of any state or possession of the United States or the District of Columbia, and who has had four years of experience outside of this State of the type described in subsection a. of section 10 of P.L.1997, c. 259 (C.45:2B-51), or meets equivalent requirements prescribed by the board by regulation, after passing the examination upon which the applicant's license was based with grades that would have been passing grades at the time in this State. If an applicant's certificate, license or permit was issued no less than six years prior to the application for issuance of an initial license under this section, that applicant shall have also fulfilled the requirements of continuing professional education that would have been applicable under the rules of this State to be eligible for licensure under the provisions of subsection a. of section 27 of P.L.1997, c.259 (C.45:2B-68).

c. The board shall issue a license as a certified public accountant to a holder of a foreign designation, granted in a foreign country entitling the holder thereof to engage in the practice of public accountancy if:

(1) The foreign authority which granted the designation makes similar provision to allow a person who holds a valid license issued by this State to obtain that foreign authority's comparable designation; and

(2) The foreign designation:

(a) was duly issued by a foreign authority that regulates the practice of public accountancy and the foreign designation has not expired or been revoked or suspended;

(b) entitles the holder to issue reports upon a financial statement; and

(c) was issued upon the basis of educational, examination, and experience requirements established by the foreign authority or by law; and

(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 section 10 of this act, in the jurisdiction which granted the foreign designation, or has completed four years of experience of the type described in subsection a. of section 10 of P.L.1997, c.259 (C.45:2B-51); or meets equivalent requirements prescribed by the board, within the 10 years immediately preceding the application; and

(c) passed a uniform qualifying examination in national standards acceptable to the board and an examination on the laws, regulations and code of ethical conduct in effect in this State.

An applicant seeking licensure under this subsection 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, and each holder of a license issued under this subsection shall notify the board in writing, within thirty 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.

5. Section 13 of P.L.1997, c.259 (C.45:2B-54) is amended to read as follows:

C.45:2B-54 Requirements for registration as firm of certified public accountants.

13. a. A firm engaged in this State in the practice of attest services shall be required to register with the board as a firm of certified public accountants. A firm engaged in the practice of public accountancy, but not performing attest services, shall be eligible to register with the board as a firm of certified public accountants. In either case, the firm shall meet the following

requirements:

(1) At least one owner of the firm shall be a certified public accountant in good standing, and licensed to practice public accountancy in this State;

(2) Each owner of the firm, other than a nonlicensee, shall be a certified public accountant of any state or possession of the United States or the District of Columbia in good standing, and licensed to practice public accountancy where licensed;

(3) There shall be a certified public accountant in the firm who has ultimate responsibility for each attest engagement. On all firm applications and renewal forms, a licensee shall be designated as responsible and in charge of all professional matters relating to the practice of accountancy by the registered firm. Each resident manager in charge of a practice unit of a firm in this State and each owner thereof, other than a nonlicensee, personally engaged within this State in the practice of public accountancy shall be a certified public accountant in good standing, and licensed to practice public accountancy in this State.

b. Application for registration of a firm shall be made upon the affidavit of an owner of the firm who is a certified public accountant in good standing and licensed to practice public accountancy in this State. The board shall in each case determine whether the applicant is eligible for registration. A firm which is so registered may use the words "certified public accountant" or the abbreviation "CPAs" in connection with its firm name. Notification shall be given to the board within 90 days after admission or withdrawal of an owner licensed and practicing in this State from any firm so registered.

6. Section 5 of P.L.1999, c.215 (C.45:2B-54.1) is amended to read as follows:

C.45:2B-54.1 Requirements for non-licensed owners.

5. a. A firm registered under P.L 1997, c.259 (C.45:2B-42 et seq.) as a firm of certified public accountants or public accountants may have owners who are not licensed as certified public accountants or public accountants if it meets the following requirements:

(1) Nonlicensee owners shall be natural persons or entities, including, but not limited to, partnerships and professional corporations, provided that each ultimate beneficial owner of an equity interest in that entity shall be a natural person materially participating in the business conducted by the firm or entity affiliated with the firm;

(2) The ownership interest of nonlicensee owners shall revert to the firm upon the cessation of any material participation by the nonlicensee owner in the business conducted by the firm or entity;

(3) Persons who are licensed to practice public accountancy in any state or possession of the United States or the District of Columbia shall in the aggregate, directly or beneficially, comprise not less than half of the owners, hold more than half of the equity capital, and possess majority voting rights of the firm; and

(4) Nonlicensee owners shall not hold themselves out as certified public accountants or public accountants.

b. Except as otherwise permitted by the board, a person shall not become a nonlicensee owner or remain a nonlicensee owner if the person has:

(1) Been convicted of any crime, an element of which is dishonesty or fraud, under the laws of this State or any other state, of the United States, or of any other jurisdiction. A conviction includes the initial plea, verdict, or finding of guilty, pleas of no contest, or pronouncement of sentence by a trial court, notwithstanding that conviction may not be final or sentence actually imposed until appeals are exhausted;

(2) Had a professional license or the right to practice revoked or suspended for reasons other than nonpayment of fees, or has voluntarily surrendered a license or right to practice with disciplinary charges or a disciplinary investigation pending, which license or right to practice has not been reinstated by a licensing agency of this State or any other state, of the United States, or of any other jurisdiction;

(3) Been in violation of P.L.1997, c.259 (C.45:2B-42 et seq.) or any regulation promulgated by the board under that act.

c. A nonlicensee owner of a licensed firm shall report to the board in writing of the

occurrence of any of the events set forth in subsection b. of this section within 30 days of the date the nonlicensee owner has knowledge of the event. The report shall identify the event by the name of the agency or court, the title of the matter, the docket number, and the date of occurrence of the event.

7. Section 14 of P.L.1997, c.259 (C.45:2B-55) is amended to read as follows:

C.45:2B-55 Requirements for registration as firm of public accountants.

14. a. A firm engaged in this State in the practice of attest services shall be required to register with the board as a firm of public accountants. A firm engaged in the practice of public accountancy, but not performing attest services, shall be eligible to register with the board as a firm of public accountants. In either case, the firm shall meet the following requirements:

(1) At least one owner of a firm shall be a public accountant or certified public accountant in good standing, and licensed to practice public accountancy in this State;

(2) Each owner of the firm, other than a nonlicensee, shall be a public accountant or certified public accountant of any state or possession of the United States or the District of Columbia in good standing, and licensed to practice public accountancy where licensed;

(3) There shall be a public accountant or certified public accountant in the firm who has ultimate responsibility for each attest engagement. On all firm applications and renewal forms, a licensee shall be designated as responsible and in charge of all professional matters relating to the practice of accountancy by the registered firm. Each resident manager in charge of a practice unit of a firm in this State and each owner thereof, other than a nonlicensee, personally engaged within this State in the practice of public accounting shall be a public accountant or a certified public accountant of this State in good standing and licensed to practice public accountancy in this State.

b. Application for registration of a firm shall be made upon the affidavit of an owner of the firm who is a public accountant or certified public accountant of this State in good standing and licensed to practice public accountancy in this State. The board shall in each case determine whether the applicant is eligible for registration. A firm which is so registered may use the words "public accountant" or the abbreviation "PAs" in connection with its firm name. Notification shall be given to the board within 90 days after admission or withdrawal of an owner licensed and practicing in this State from any firm so registered.

8. Section 21 of P.L.1997, c.259 (C.45:2B-62) is amended to read as follows:

C.45:2B-62 Use of title, designation requires licensure, registration; exceptions.

21. a. No person shall use or assume the title or designation "certified 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 that person holds a current license as a certified public accountant under this act.

b. No firm shall use or assume the title or designation "certified public accountant," or the abbreviation "CPA," unless otherwise provided for by law, 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 holds a current registration issued under this act.

c. No person shall use or assume the title or designation "public accountant," or the abbreviation "PA," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a public accountant unless that person holds a current license as a public accountant under this act.

d. No firm shall use or assume the title or designation "public accountant," or the abbreviation "PA," unless otherwise provided for by law, or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of public accountants, unless the firm holds a current registration issued under this act.

e. No person or firm shall use or assume the title or designation "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," "accredited accountant," or any other title or designation likely to be confused with the titles

"certified public accountant" or "public accountant," or use any of the abbreviations "CA," "LA," "RA," "AA," or similar abbreviations likely to be confused with the abbreviations "CPA" or "PA," unless that person or firm holds a current license or registration issued under this act.

f. No person or firm shall use or assume the title "enrolled agent" or "EA," unless so designated by the Internal Revenue Service.

g. No person or firm shall use or assume any title or designation that includes the words "accountant," "auditor," or "accounting" in connection with any other language, including the language of a report, that implies that the person or firm holds such a certificate, permit, or registration or has special competence as an accountant or auditor, unless that person or firm holds a current license or registration issued under this act, except that this subsection shall not prohibit any officer, partner, member, manager, or employee of any firm or organization from affixing that person's own signature to any statement in reference to the financial affairs of that firm or organization with any wording designating the positions, title, or office that the person holds in the firm or organization, nor shall this subsection prohibit any act of a public official or employee in the performance of the person's duties.

h. No person holding a license or firm holding a registration under this act shall engage in the practice of public accountancy using a professional or firm name or designation that is misleading with regard to the form in which the firm is organized, or about the persons who are partners, officers, members, managers or shareholders of the firm, or about any other matter, except that names of one or more former partners, members, managers, or shareholders may be included in the name of a firm or its successor.

i. The provisions of this section shall not apply to a person or firm holding a certification, designation, degree, or license granted in a foreign country, entitling the holder thereof to engage in the practice of public accountancy or its equivalent in that country, whose activities in this State are limited to the provision of professional services to persons or firms who are residents of, governments of, or business entities of the country in which the person holds that entitlement, so long as that person or firm issues no reports with respect to the financial statements of any other persons, firms, or governmental units in this State, and does not use in this State any titles or designation other than the one under which the person practices in the foreign country, followed by a translation of that title or designation into the English language, if it is in a different language, and by the name of that country.

j. A financial services corporation, the voting stock of which is traded on a recognized exchange or over-the-counter, may use the truthful fact in advertising that the firm employs certified public accountants.

9. Section 29 of P.L.1997, c.259 (C.45:2B-70) is amended to read as follows:

C.45:2B-70 Requirement, for qualification as registered municipal accountant.

29. A certified public accountant or public accountant holding an active license shall qualify as a registered municipal accountant by passing a registered municipal accountant's examination. Only a registered municipal accountant licensed in this State shall undertake the work of auditing the financial statements of any municipality or county.

The board shall make all rules governing examinations and the issuance of licenses to registered municipal accountants.

The registration fee for a registered municipal accountant of New Jersey shall be established by the board, and shall be imposed for each triennial registration.

10. Section 32 of P.L.1997, c.259 (C.45:2B-73) is amended to read as follows:

C.45:2B-73 Qualification as public school accountant.

32. Any person who undertakes the work of auditing the financial statements of any school district in New Jersey shall qualify as a public school accountant (PSA) by:

a. Submitting an application to the board, demonstrating satisfactorily to the board that the individual holds an active license in New Jersey as a certified public accountant, public accountant, or registered municipal accountant, and paying the required fee; and

b. Renewing the license triennially and paying the required fee.

11. This act shall take effect immediately.

Approved July 10, 2001.