

CHAPTER 45

AN ACT concerning certified public accountants, amending and supplementing P.L.1997, c.259 and repealing section 15 of P.L.1997, c.259.

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); any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE); and any engagement to be performed in accordance with the auditing standards of the Public Company Accounting Oversight Board (PCAOB). 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 and the PCAOB.

"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.

"Home office" means the location specified by the client as the address to which a service described in subsection d. of section 6 of P.L.2008, c.45 (C.45:2B-50.1) is directed.

"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, registered firm or individual qualifying for practice privileges under section 6 of P.L.2008, c.45 (C.45:2B-50.1). The "practice of public accountancy" also means the performance or the offering to perform by a licensee or individual qualifying for practice privileges under section 6 of P.L.2008, c.45 (C.45:2B-50.1) 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.

"Principal place of business" means the office location designated by a licensee for purposes of substantial equivalency and reciprocity.

"Quality review" means a study, appraisal or review of one or more aspects of the professional work of a licensee, or individual qualifying for practice privileges under section 6 of P.L.2008, c.45 (C.45:2B-50.1), 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, the individual qualified for practice privileges under section 6 of P.L.2008, c.45 (C.45:2B-50.1), 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 13 of P.L.1997, c.259 (C.45:2B-54) is amended to read as follows:

C.45:2B-54 Requirements for registration of firm in practice of attest services or public accountancy.

13. a. The board shall only grant or renew registration to a firm engaged in the practice of attest services or public accountancy if that firm meets the requirements provided in this section.

(1) A firm shall register with the board if it:

(a) Has an office in this State engaged in the practice of attest services;

(b) Has an office in this State that uses the title "Certified Public Accountant," "CPA," "Certified Public Accountant firm," or "CPA firm;" or

(c) Does not have an office in this State, but performs services described in subsection d. of section 6 of P.L.2008, c.45 (C.45:2B-50.1) for a client having its home office in this State.

(2) A firm that does not have an office in this State may perform compilation services or review financial statements in accordance with the Statements on Standards for Accounting and Review Services (SSARS), and may practice public accountancy as authorized under this section, for a client having its home office in this State and may use the title "Certified

Public Accountant," "CPA," "Certified Public Account firm," or "CPA firm," without registering with the board if:

(a) It has the qualifications described in section 26 of P.L.1997, c.259 (C.45:2B-67) and in subsection a. of section 5 of P.L.1999, c.215 (C.45:2B-54.1); and

(b) It performs those services through an individual with practice privileges under section 6 of P.L.2008, c.45 (C.45:2B-50.1).

(3) A firm that is not subject to the requirements of paragraph (1) or (2) of this subsection may perform other professional services included in the practice of public accountancy while using the title "Certified Public Accountant," "CPA," "Certified Public Account firm," or "CPA firm" in this State without registering with the board if:

(a) It performs those services through an individual with practice privileges under subsection d. of section 6 of P.L.2008, c.45 (C.45:2B-50.1); and

(b) It can lawfully do so in the state where those individuals with practice privileges have their principal place of business.

(4) A firm with an office in this State that is 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.

b. A firm seeking to register with the board 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, except that this requirement is waived for firms that perform services for which firm registration is required under subparagraph (c) of paragraph (1) of subsection a. of this section through an individual who qualifies for the practice privilege under section 6 of P.L.2008, c.45 (C.45:2B-50.1);

(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 or an individual who qualifies for the practice privilege under section 6 of P.L.2008, c.45 (C.45:2B-50.1) 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, or shall be an individual who qualifies for the practice privilege under section 6 of P.L.2008, c.45 (C.45:2B-50.1).

c. 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 or who qualifies for the practice privilege under section 6 of P.L.2008, c.45 (C.45:2B-50.1). 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.

3. 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 and not otherwise registered with the board or exempt from registration under section 13 of P.L.1997, c.259 (C.45:2B-54) 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.

4. Section 20 of P.L.1997, c.259 (C.45:2B-61) is amended to read as follows:

C.45:2B-61 Issuance of report on financial statements prohibited; exceptions.

20. a. No individual or firm shall issue a report on financial statements of any other individual, firm, organization, or governmental unit unless that person or firm holds a valid license or registration issued under this act, qualifies for the practice privilege under section 6 of P.L.2008, c.45 (C.45:2B-50.1), or is exempt from registration under section 13 of P.L.1997, c.259 (C.45:2B-54), except that this prohibition shall not apply to: an officer, partner, member, manager or employee of any firm or organization affixing that person's own signature to any statement or report in reference to the financial affairs of that firm or organization with any wording designating the position, title or office that the person holds in the firm or organization; any act of a public official or employee in the performance of that person's duties; the performance by any person of other services involving the use of accounting skills, including the preparation of tax returns or financial statements prepared without the issuance of reports, or providing a management advisory service.

b. The prohibition contained in subsection a. of this section is applicable to the issuance, by a person not holding a valid license or a firm not holding a valid registration, of a report using any form of language conventionally used by licensees respecting review of financial statements or compilation of financial statements.

5. 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 or qualifies for the practice privilege under section 6 of P.L.2008, c.45 (C.45:2B-50.1).

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 or is exempt from registration under section 13 of P.L.1997, c.259 (C.45:2B-54).

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, qualifies for the practice privilege under section 6 of P.L.2008, c.45 (C.45:2B-50.1), or is exempt from registration under section 13 of P.L.1997, c.259 (C.45:2B-54).

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, qualifies for the practice privilege under section 6 of P.L.2008, c.45 (C.45:2B-50.1), or is exempt from registration under section 13 of P.L.1997, c.259 (C.45:2B-54), 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.

k. Notwithstanding any other provision of this section, it shall not be a violation of P.L.1997, c.259 (C.45:2B-42 et seq.) for a firm that has not registered with the board and that does not have an office in this State to provide professional services in this State so long as it complies with paragraph (2) or paragraph (3) of subsection a. of section 13 of P.L.1997, c.259 (C.45:2B-54).

C.45:2B-50.1 Standards for individual with principal place of business out-of-State.

6. a. An individual whose principal place of business is not in this State shall be presumed to have qualifications substantially equivalent to this State's requirements for certified public accountants and shall have all the privileges of licensed certified public accountants of this State without the need to obtain a license under P.L.1997, c.259 (C.45:2B-42 et seq.) or to notify the board or pay any fee if that individual:

(1) Holds a valid license as a certified public accountant from any state which the National Association of State Boards of Accountancy's (NASBA) National Qualification Appraisal Service has verified to be in substantial equivalence with the certified public accountant licensure requirements of the American Institute of Certified Public Accountants AICPA/NASBA Uniform Accountancy Act; or

(2) Holds a valid license as a certified public accountant from any state which the NASBA's National Qualification Appraisal Service has not verified to be in substantial equivalence with the certified public accountant licensure requirements of the AICPA/NASBA Uniform Accountancy Act, but that individual obtains from the NASBA's National Qualification Appraisal Service verification that the individual's personal certified public accountant qualifications are substantially equivalent to the certified public accountant licensure requirements of the AICPA/NASBA Uniform Accountancy Act.

b. In accordance with the provisions of this section and notwithstanding any other provision of law, an individual who offers or renders professional services, whether in person or by mail, telephone, or electronic means, shall be granted practice privileges in this State and no notice or other submission shall be required of that individual. Such individual shall be subject to the requirements of subsection c. of this section.

c. An individual licensee of another state exercising the privilege afforded by this section and the firm that employs that licensee hereby simultaneously consent, as a condition of exercising that privilege:

(1) To the personal and subject matter jurisdiction and disciplinary authority of the board;

(2) To comply with P.L.1997, c.259 (C.45:2B-42 et seq.) and the regulations promulgated pursuant to that act;

(3) That in the event the license from the state of the individual's principal place of business is no longer valid, the individual will cease offering or rendering professional services in this State individually and on behalf of a firm; and

(4) To the appointment of the state board or other authority that issued the individual's license as the individual's agent upon which process may be served in any action or proceeding by this State's board against the licensee.

d. An individual who has been granted the practice privilege under this section who, for any entity with its home office in this State, performs any of the following services:

(1) A financial statement audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS);

(2) An examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE); or

(3) An engagement to be performed in accordance with the Public Company Accounting Oversight Board (PCAOB) Auditing Standards;

may only do so through a firm which has registered with the board under section 13 of P.L.1997, c.259 (C.45:2B-54).

e. A licensee of this State offering or rendering services or using a title provided in section 21 of P.L.1997, c.259 (C.45:2B-62) in another state shall be subject to disciplinary action in this State for an action committed in another state for which the licensee would be subject to discipline for an act committed in that state. The board shall investigate any complaint made by the board of accountancy or other licensing authority of another state.

f. Any individual who passed the Uniform Certified Public Accountant Examination and holds a valid license issued by any other state prior to January 1, 2012 shall be exempt from the 150 hour education requirement in subsection c. of section 8 of P.L.1997, c.259 (C.45:2B-49).

Repealer.

7. Section 15 of P.L.1997, c.259 (C.45:2B-56) is repealed.

8. This act shall take effect on the 365th day next following enactment.

Approved July 15, 2008.