



# **SUMMARY OF NEW LEGISLATION FOR ARIZONA CPAs AND CPA FIRMS**

*Arizona Society of CPAs, Arizona State Board of Accountancy (Board),  
and the Board's Law Review Advisory Committee*

Laws 2018, Chapter 268, SB 1443, which is effective August 3, 2018, is a collaborative work product of the Arizona Society of CPAs, the Arizona State Board of Accountancy (Board), and the Board's Law Review Advisory Committee. SB 1443 reduces regulation, fosters lean government, improves customer service, and supports the Board's mission to protect the public.

An executive summary and a copy of SB 1443 can be found on the Board's website under News and Updates, but the following delineates the most substantive provisions of the legislation.

## Reduced Regulation

### Firm Registration

SB 1443 amends the definition of accounting services to include the terms attest and compilation services, which are separately defined statutory terms, and requires that the following register with the Board:

#### Partnership, PC, PLLC, LLC, or LLP

*that meets all of the following criteria:*



Has a simple majority of the ownership, in terms of direct and indirect financial interests and voting rights, that belong to holders in good standing of certificates or licenses as CPAs in any jurisdiction.

Has an office in this state.

Performs attest or compilation services OR uses the CPA designation in its business name.

#### Sole Proprietorship

*that meets all of the following criteria:*



Has an owner that is a CPA in good standing in this state.

Has an office in this state.

Performs attest or compilation services OR uses the CPA designation in its business name, unless the business name is the name of the sole proprietor as registered with the Board.

#### Individual

*that meets all of the following criteria:*



A CPA in good standing in this state.

Performs attest or compilation services in this state, other than as an owner or employee of a sole proprietorship, partnership, PC, PLLC, LLC, or LLP otherwise required to register as listed above or in the capacity as an employee of a governmental entity.



#### Current Law

*To understand the legislative changes, it is helpful to understand the existing regulatory framework.*

An individual must register a firm if the individual performs attest services.

A partnership, PC, PLLC, LLC, or LLP, that meets the statutory requirements, must register a firm if it engages in the practice of accounting, which means providing any of the following accounting services to a client or employer:

- Recording or summarizing financial transactions
- Bookkeeping
- Analyzing or verifying financial information
- Auditing
- Reviewing or compiling financial statements
- Reporting financial results
- Financial planning
- Tax services
- Consulting services

# Unlawful Use of the Designation

Additionally, the Board's unlawful use of the designation statute, A.R.S. § 32-747, was amended to limit its scope to the CPA designation. Current statute prohibits the use of other titles such as "chartered accountant", "registered accountant", "certified tax consultant", or any other title or designation likely or intended to be confused with CPA. Modification of the unlawful use statute to focus on any unlawful use of the CPA designation allows other, new titles to come into play in the accounting profession (e.g. Chartered Global Management Accountant) without conflicting with the unlawful use statute. In practice, the Board historically has not received complaints about designations that are likely or intended to be confused with the CPA designation, while the complaints it does receive are specific to the unlawful use of the CPA designation.

## Lean Government / Improved Customer Service

The Board's statutes are also amended to streamline business procedures by allowing the Board to delegate to the Executive Director the authority to approve matters that are currently on the Board's consent agenda.

### Matters include, but are not limited to:

- ✓ The approval for applicants to sit for the Uniform CPA Exam
- ✓ The approval for applicants to be issued certificates as a CPA or to reactivate from an inactive or retired status, so individuals may more readily engage in business using the CPA designation, which they've worked so diligently to earn
- ✓ The approval of firm registrations so that firms may engage in business sooner
- ✓ The timely termination of discipline based on a registrant's successful completion of requirements.

### Benefits include:



**Increase Efficiency**



**Cost Effectiveness**



**Customer Service**

As way of background, the above-referenced matters would have previously been required to be formally approved by the Board, despite the substance of the review and work being done by the Board's advisory committees or Board staff. Allowing the Board to delegate to the Executive Director the ability to approve these matters that have already been approved by one of the Board's advisory committees in most instances, eliminates unnecessary administrative work, which in turn will improve business procedures and help the Board move at the speed of business. This will increase efficiency, cost effectiveness, and customer service through reducing approval times through the elimination of an additional month of wait time for a board action that does not involve any independent review by the Board.

Any recommendations for denial or non-compliance will still go before the Board for independent review and consideration. A new section of law, A.R.S. § 32-748, also provides a mechanism for registrants who are aggrieved by an action taken by the Executive Director to request Board review of the action. In practice, however, the delegation of authority will be limited to approvals which will mitigate any grievances.

# Public Protection



## Expiration of the CPA Certificate

To better fulfill the Board's mission to protect the public, SB 1443 reduces the time from one year to three and six months respectively before a certificate expires from being suspended for non-registration, pursuant to A.R.S. § 32-741.01, or suspended for non-compliance with CPE requirements, pursuant to A.R.S. § 32-741.02. CPAs whose certificates expire can apply for reinstatement.



## Performance of Attest or Compilation Services

Pursuant to A.R.S. § 32-731(B), attest or compilation services shall be provided only through a registered firm in good standing in this state. A.R.S. § 32-731(l)(2), defines good standing for a firm as a status that allows the firm to use the CPA designation. This would mean a status of active or probation. If a firm is in a suspended status, including a suspension for non-registration, a firm would not be allowed to provide attest or compilation services.



## Unlawful Use of the Designation

A firm may not refer to itself as a CPA firm unless it has a simple majority of the ownership in terms of direct and indirect financial interests and voting rights that belong to holders in good standing of certificates or licenses and CPAs in any jurisdiction. With the reduction in firm registration requirements, the Board wanted to ensure that a business that is engaged in the practice of accounting and provides accounting services for a client or employer other than attest or compilation services (e.g., tax, consulting, financial planning, bookkeeping, etc.) does not represent or hold itself out to the public via things like but not limited to their website, letterhead, or business cards as a CPA firm, unless the business has a simple majority of ownership of CPAs.



## Firm Registration

Establishes that a registrant is prohibited from using any firm name (e.g., DBA) other than the firm name as registered by the Board.

# Technical and Conforming Changes

Lastly, SB 1443 makes various technical and conforming changes to simplify and modernize the statutes, while also eliminating redundant and archaic language.



The consolidation of reactivation and reinstatement requirements into a new section, A.R.S. § 32-732. Currently, reactivation and reinstatement requirements are separated in their own respective sections in law. Merging these similar requirements into a single section allows for easier reference by the regulated community.



“Public accountant” is stricken throughout the statutes and will no longer be regulated since there are only three public accountants remaining; and the public accountant designation is no longer issued to applicants.



A new definition for “CPA designation” is established to simplify statutory language and conforming changes are made throughout statute.



The terms “partnership” and “partner” are repealed and replaced with the terms “firm” and “owner” respectively, which are easier to understand since terms are different between business types (e.g., member for LLC’s, partner for partnership, and shareholder for P.C.’s.)