

State of Arizona  
House of Representatives  
Fifty-first Legislature  
Second Regular Session  
2014

# HOUSE BILL 2263

AN ACT

AMENDING SECTIONS 32-701, 32-721, 32-729, 32-730.01, 32-730.02, 32-730.03, 32-730.04, 32-731, 32-732, 32-741.01 AND 32-742, ARIZONA REVISED STATUTES; RELATING TO CERTIFIED PUBLIC ACCOUNTANTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 32-701, Arizona Revised Statutes, is amended to  
3 read:

4 32-701. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Accounting services" means services that are commonly and  
7 historically performed by accountants, including recording or summarizing  
8 financial transactions, bookkeeping, analyzing or verifying financial  
9 information, auditing, reviewing or compiling financial statements, reporting  
10 financial results, financial planning, ~~and~~ providing attestation, tax or  
11 consulting services.

12 2. "Accredited institution" means any public or private regionally or  
13 nationally accredited college or university that is accredited by an  
14 organization recognized by the council for higher education accreditation or  
15 its successor agency.

16 3. "Attest services" means the following services that are rendered by  
17 the holder of a certificate issued by the board:

18 (a) Audits or other engagements performed in accordance with the  
19 statements on auditing standards adopted by the American institute of  
20 certified public accountants.

21 (b) Reviews of financial statements performed in accordance with the  
22 statements on standards for accounting and review services adopted by the  
23 American institute of certified public accountants.

24 (c) Any examination of prospective financial information to be  
25 performed in accordance with the statements on standards for attestation  
26 engagements adopted by the American institute of certified public  
27 accountants.

28 (d) Any engagement to be performed in accordance with the standards of  
29 the public company accounting oversight board or its successor.

30 4. "Attestation" or "attest function" means the issuance by a  
31 registrant of a written communication that expresses a conclusion about the  
32 reliability of a written assertion that is the responsibility of another  
33 party.

34 5. "Board" means the Arizona state board of accountancy established by  
35 section 32-702.

36 6. "Certified public accountant" means an individual who has been  
37 issued a certificate of authority by the board to practice as a certified  
38 public accountant or who meets the limited reciprocity privilege requirements  
39 pursuant to section 32-725.

40 7. "Client" means a person or entity, other than one's employer, for  
41 whom accounting services are provided.

42 8. "Consulting services" includes management advisory services,  
43 litigation support services, valuation services and other services that  
44 require the use of technical skills, education, observation, experience and

1 knowledge to develop an analytical approach to process and to present  
2 findings, conclusions or recommendations.

3 9. "Conviction" means a judgment of conviction by any state or federal  
4 court of competent jurisdiction in a criminal cause, regardless of whether an  
5 appeal is pending or could be taken, and includes any judgment or order based  
6 on a plea of no contest.

7 10. "Disciplinary action" means any other regulatory sanctions imposed  
8 by the board in combination with, or as an alternative to, revocation or  
9 suspension of a certificate or registration, including the imposition of:

10 (a) An administrative penalty in an amount not to exceed two thousand  
11 dollars for each violation of this chapter or rules adopted pursuant to this  
12 chapter.

13 (b) Restrictions on the scope of the registrant's accounting practice,  
14 including, without limitation, restriction of audit or attest function  
15 practice, restriction of tax practice or restriction of consulting services.

16 (c) Pre-issuance and post-issuance peer review.

17 (d) Professional education requirements.

18 (e) A decree of censure.

19 (f) Probation requirements best adapted to protect the public welfare.

20 (g) Reimbursement of the board's costs of investigations and  
21 proceedings initiated under this chapter.

22 (h) A requirement for restitution payments to accounting services  
23 clients or to other persons suffering economic loss resulting from violations  
24 of this chapter or rules adopted pursuant to this chapter.

25 11. "Employer" means a person or entity that hires an individual to  
26 perform a service and that directs and controls the manner in which the  
27 service is performed.

28 12. "Federal securities laws" means the securities act of 1933, the  
29 securities exchange act of 1934, the public utility holding company act of  
30 1935 and the investment company act of 1940, as amended.

31 13. "Financial statements":

32 (a) Means statements and footnotes related to statements that purport  
33 to show a financial position or changes in a financial position in conformity  
34 with generally accepted accounting ~~principals~~ PRINCIPLES or other  
35 comprehensive basis of accounting.

36 (b) Includes balance sheets, statements of income, statements of  
37 retained earnings, statements of cash flows, statements of changes in an  
38 owner's equity and other commonly used or recognized summaries of financial  
39 information.

40 (c) Does not include tax returns or information contained in tax  
41 returns.

42 14. "Firm" means a business organization that is engaged in the  
43 practice of public accounting and that is established under the laws of any  
44 state or foreign country, including a sole practitioner, partnership,  
45 professional corporation, professional limited liability company, limited

1 liability company, limited liability partnership or any other entity  
2 recognized by the board that has met the applicable requirements contained in  
3 sections 32-731 and 32-732.

4 15. "Good cause" means factors that temporarily prevent a registrant  
5 from satisfying a particular requirement in a specific instance as determined  
6 by the board and may include:

- 7 (a) A disability.
- 8 (b) An illness.
- 9 (c) A physical or mental condition.
- 10 (d) Military service.
- 11 (e) Financial hardship.
- 12 (f) A natural disaster.
- 13 (g) Any condition or circumstance that the board deems relevant.

14 16. "Letter of concern" means an advisory letter to notify a registrant  
15 that, while the evidence does not warrant disciplinary action, the board  
16 believes that the registrant should modify or eliminate certain practices and  
17 that continuation of the activities that led to the evidence being submitted  
18 to the board may result in board action against the registrant. A letter of  
19 concern is not a disciplinary action.

20 17. "Limited reciprocity privilege" means the permission to practice as  
21 a certified public accountant in this state pursuant to section 32-725 for an  
22 individual whose principal place of business is outside of this state.

23 18. "Management advisory services" means advisory services consisting  
24 of the development of findings, conclusions or recommendations for the  
25 recipient's consideration and decision making.

26 19. "Practice of accounting" means providing accounting services for a  
27 client or an employer.

28 20. "Practice of public accounting" means providing accounting services  
29 for a client but does not include providing accounting services, other than  
30 attest services or compilation services, for a nonprofit entity or a family  
31 member without an expectation of and without receiving compensation.

32 21. "Principal place of business" means the office designated by the  
33 individual or firm as the principal location for the practice of accounting.

34 22. "Public accountant" means an individual who has been issued a  
35 certificate of authority by the board to practice as a public accountant.

36 23. "Registrant" means any certified public accountant, public  
37 accountant or firm that is registered with the board.

38 24. "Related courses" means:

- 39 (a) Business administration.
- 40 (b) Statistics.
- 41 (c) Computer science, information systems or data processing.
- 42 (d) Economics.
- 43 (e) Finance.
- 44 (f) Management.
- 45 (g) Business law.

- 1 (h) College algebra or more advanced mathematics.
- 2 (i) Advanced written communication.
- 3 (j) Advanced oral communication.
- 4 (k) Ethics.
- 5 (l) Marketing.
- 6 (m) Other courses closely related to the subject of accounting and
- 7 satisfactory to the board.

8 Sec. 2. Section 32-721, Arizona Revised Statutes, is amended to read:  
9 32-721. Certified public accountants; qualifications

10 A. The board shall issue a certificate of certified public accountant  
11 to any individual who complies with all of the following:

- 12 1. Meets the requirements of ~~sections 1-501 and~~ SECTION 41-1080.
- 13 2. Is at least eighteen years of age.
- 14 3. Is of good moral character.
- 15 4. Has not engaged in any conduct that would constitute grounds for
- 16 revocation or suspension of a certificate or other disciplinary action
- 17 pursuant to section 32-741.
- 18 5. Meets the requirements of subsection B, C or D of this section.

19 B. If the applicant passes the uniform certified public accountant  
20 examination and has never been certified, registered or licensed as a  
21 certified public accountant in this state or another jurisdiction, the  
22 applicant must comply with both of the following:

- 23 1. Have had at least two thousand hours of paid or unpaid experience,  
24 either before or after passing all sections of the examination for certified  
25 public accountant, that has exposed the applicant to and provided the  
26 applicant with experience in the practice of accounting. The applicant's  
27 experience must be sufficient to demonstrate the applicant's ability for  
28 critical inquiry and analysis of financial accounting information, including  
29 balance sheets, income statements, cash flow statements and tax returns and  
30 the applicant's ability to communicate, either orally or in writing, on the  
31 results of an inquiry or analysis of that information to an employer, client  
32 or third party.

33 2. Present satisfactory evidence that the person has successfully  
34 obtained a baccalaureate degree or higher degree from an accredited  
35 institution or a college or university that maintains standards comparable to  
36 those of an accredited institution AND that the applicant has completed at  
37 least one hundred fifty semester hours of education of which:

- 38 (a) At least thirty-six semester hours are nonduplicative accounting  
39 courses of which at least thirty semester hours are upper division courses.
- 40 (b) At least thirty semester hours are related courses.

41 C. If the applicant passes the uniform certified public accountant  
42 examination and has a certificate, registration or license to practice as a  
43 certified public accountant in another jurisdiction AND THE APPLICANT HAS  
44 NEVER HAD A CERTIFICATE ISSUED BY THE BOARD EXPIRE OR BE RELINQUISHED OR  
45 REVOKED, at least one of the following shall apply:

1           1. The certificate, registration or license is issued by a  
2 jurisdiction whose requirements are determined by the board to be  
3 substantially equivalent to the requirements prescribed in subsection B of  
4 this section.

5           2. The applicant has a baccalaureate degree or its equivalent or a  
6 higher degree from an accredited institution or a college or university that  
7 maintains standards comparable to those of an accredited institution and  
8 either of the following applies:

9           (a) The applicant has been employed as a certified public accountant  
10 in the practice of accounting for at least three years and has completed at  
11 least one hundred fifty semester hours of education that includes both of the  
12 following:

13           (i) At least twenty-four semester hours of nonduplicative accounting  
14 courses, of which twelve semester hours are upper division courses.

15           (ii) At least eighteen semester hours in related courses.

16           (b) The applicant has been employed as a certified public accountant  
17 in the practice of accounting for at least five of the ten preceding years  
18 and has completed both of the following:

19           (i) At least twenty-four semester hours of nonduplicative accounting  
20 courses, of which twelve semester hours are upper division courses.

21           (ii) At least eighteen semester hours in related courses.

22           3. The applicant has been employed as a certified public accountant in  
23 the practice of accounting for at least ten of the fifteen preceding years.

24           D. If an applicant passes the international uniform certified public  
25 accountant qualification examination of the American institute of certified  
26 public accountants, all of the following apply:

27           1. The applicant's country has a mutual recognition agreement with the  
28 national association of state boards of accountancy that has been adopted by  
29 the board.

30           2. The board recognizes that the applicant's qualifications are  
31 substantially equivalent to the qualifications of certified public  
32 accountants in the United States in the areas of education, examination and  
33 experience.

34           Sec. 3. Section 32-729, Arizona Revised Statutes, is amended to read:

35           32-729. Fees

36           The board shall establish and collect:

37           1. A uniform fee from an applicant for each initial examination and  
38 reexamination application pursuant to section 32-723 to cover reasonable  
39 costs of reviewing the applicant's eligibility to take the examination and  
40 facilitating the applicant to take the examination until the applicant passes  
41 all sections.

42           2. A uniform fee from each applicant for a certificate to be issued  
43 pursuant to section 32-721.

44           3. A uniform registration fee of at least one hundred and not more  
45 than three hundred dollars from each applicant for registration as a

1 certified public accountant or public accountant pursuant to section 32-730.  
2 The registration fee is due during the month of the anniversary of the  
3 registrant's birth. Registrants for less than two years shall be charged on  
4 a pro rata basis for the remainder of the registration period. The board  
5 shall establish and collect a late fee, if applicable, of not more than one  
6 hundred dollars.

7 4. A uniform registration fee of at least one hundred dollars and not  
8 more than three hundred dollars from each applicant for registration as a  
9 firm pursuant to section 32-730. The registration fee is due during the  
10 month of the anniversary of the effective date of the firm's formation. The  
11 board shall establish and collect a late fee, if applicable, of not more than  
12 one hundred dollars. The board shall not charge a fee for the registration  
13 of additional offices of the same firm or for the registration of a sole  
14 practitioner.

15 5. A uniform application fee in an amount to be determined by the  
16 board to reinstate a ~~license~~ CERTIFICATE pursuant to this chapter.

17 6. A uniform registration fee of fifty dollars for retired status  
18 registration as described in section 32-730.04. ~~THE BOARD SHALL ESTABLISH~~  
19 ~~AND COLLECT A LATE FEE, IF APPLICABLE, AND IT IS THE INTENT OF THE~~  
20 ~~LEGISLATURE THAT THE FEE IS NOT MORE THAN ONE HUNDRED DOLLARS.~~

21 Sec. 4. Section 32-730.01, Arizona Revised Statutes, is amended to  
22 read:

23 32-730.01. Inactive status; reactivation; exception

24 A. A registrant who is not actively engaged in the practice of  
25 accounting in this state for a fee or other compensation may request that the  
26 registrant's certificate be placed on inactive status by meeting the  
27 requirements for inactive status and completing the forms prescribed by the  
28 board. A registrant whose certificate is under a disciplinary order by the  
29 board or against whom disciplinary proceedings have been initiated may not  
30 place or maintain a certificate on inactive status.

31 B. A registrant whose certificate is on inactive status:

32 1. Shall continue to register once every two years with the board and  
33 pay fifty per cent of the registration fee and one hundred per cent of any  
34 applicable late fee pursuant to section 32-729.

35 2. Shall not engage in the practice of accounting in this state for a  
36 fee or other compensation while the registrant's certificate remains on  
37 inactive status.

38 3. In this state shall not assume or use the title or designation of  
39 "certified public accountant" or "public accountant" or the abbreviation  
40 "C.P.A.", "CPA", "P.A." or "PA" while the registrant's certificate remains on  
41 inactive status unless accompanied by the word "inactive".

42 ~~Except as otherwise provided in this chapter, A registrant who~~  
43 ~~elects to place a certificate on inactive status may reactivate the~~  
44 ~~certificate~~ REQUEST THAT THE REGISTRANT'S CERTIFICATE BE REACTIVATED if the

1 certificate has been inactive for six years or less ~~by doing~~ AND IF THE  
2 REGISTRANT MEETS all of the following REQUIREMENTS:

3 1. ~~Filing~~ FILES an application for renewal on the form prescribed by  
4 the board and ~~paying~~ PAYS the registration fee pursuant to section 32-729.

5 2. ~~Submitting~~ SUBMITS proof that the registrant has satisfied  
6 continuing professional education requirements as prescribed by the board.

7 3. ~~Affirming~~ AFFIRMS that the registrant has not engaged in any  
8 conduct that would constitute grounds for revocation or suspension of a  
9 certificate pursuant to section 32-741.

10 D. A registrant may reactivate an inactive certificate pursuant to  
11 subsection C of this section only once.

12 E. A certificate expires if it has been inactive for more than six  
13 years.

14 F. Subsections D and E of this section do not apply if inactive status  
15 is approved by the board for good cause based on a registrant's disability.

16 Sec. 5. Section 32-730.02, Arizona Revised Statutes, is amended to  
17 read:

18 32-730.02. Canceled status; reinstatement

19 A. A registrant may cancel a certificate or registration by submitting  
20 a written request on a form prescribed by the board. A registrant whose  
21 certificate or registration is under a disciplinary order by the board or  
22 against whom disciplinary proceedings have been initiated may not cancel the  
23 certificate or registration.

24 B. An individual whose certificate has been canceled shall not assume  
25 or use the title or designation of "certified public accountant" or "public  
26 accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA" while the  
27 certificate remains on canceled status unless the individual qualifies for  
28 limited reciprocity privilege pursuant to section 32-725.

29 C. An individual whose certificate has been canceled AND WHO DOES NOT  
30 QUALIFY FOR CERTIFICATION BY RECIPROcity PURSUANT TO SECTION 32-721,  
31 SUBSECTION C may apply for reinstatement and the board may reinstate the  
32 certificate if the individual meets all of the following requirements:

33 ~~1. Has not engaged in any conduct that would constitute grounds for~~  
34 ~~revocation or suspension of a certificate pursuant to section 32-741.~~

35 ~~2-~~ 1. Files an application for reinstatement on the form prescribed  
36 by the board and pays the reinstatement application fee pursuant to section  
37 32-729.

38 ~~3-~~ 2. Submits proof that the individual has satisfied continuing  
39 professional education requirements as prescribed by the board.

40 3. AFFIRMS THAT THE INDIVIDUAL HAS NOT ENGAGED IN ANY CONDUCT THAT  
41 WOULD CONSTITUTE GROUNDS FOR REVOCATION OR SUSPENSION OF A CERTIFICATE  
42 PURSUANT TO SECTION 32-741.

43 4. On board approval of reinstatement, pays the registration ~~and~~  
44 ~~reinstatement fees~~ FEE pursuant to section 32-729.



1           Sec. 6. Section 32-730.03, Arizona Revised Statutes, is amended to  
2 read:

3           32-730.03. Expired status; reinstatement

4           A. A registrant's certificate is expired if the registrant fails to  
5 reinstate the certificate within twelve months after it has been suspended  
6 pursuant to section 32-741.01 or 32-741.02 or fails to reinstate a  
7 certificate that has been on inactive status pursuant to section 32-730.01  
8 for more than six years.

9           B. An individual whose certificate has expired shall not assume or use  
10 the title or designation of "certified public accountant" or "public  
11 accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA" while the  
12 certificate remains on expired status unless the individual qualifies for  
13 limited reciprocity privilege pursuant to section 32-725.

14           C. An individual whose certificate has expired may apply for  
15 reinstatement and the board may reinstate the certificate if the individual  
16 meets all of the following requirements:

17           1. Files an application for reinstatement on a form prescribed by the  
18 board and pays the reinstatement application fee pursuant to section 32-729.

19           ~~2. Has not engaged in any conduct that would constitute grounds for  
20 revocation or suspension of a certificate pursuant to section 32-741.~~

21           ~~3.~~ 2. Submits proof that the individual has satisfied continuing  
22 professional education requirements as prescribed by the board.

23           3. AFFIRMS THAT THE INDIVIDUAL HAS NOT ENGAGED IN ANY CONDUCT THAT  
24 WOULD CONSTITUTE GROUNDS FOR REVOCATION OR SUSPENSION OF A CERTIFICATE  
25 PURSUANT TO SECTION 32-741.

26           4. On board approval of reinstatement, pays the registration fee  
27 pursuant to section 32-729.

28           Sec. 7. Section 32-730.04, Arizona Revised Statutes, is amended to  
29 read:

30           32-730.04. Retired status; reactivation

31           A. A registrant who is at least fifty-five years of age, who has been  
32 a certified public accountant or public accountant in any jurisdiction for at  
33 least twenty years and who is not actively engaged in the practice of  
34 accounting for a fee or other compensation may request that the registrant's  
35 certificate be placed on retired status by submitting a request on a form  
36 approved by the board. A registrant whose certificate is under a  
37 disciplinary order by the board or against whom disciplinary proceedings have  
38 been initiated may not place or maintain a certificate on retired status.

39           B. A registrant whose certificate is on retired status:

40           1. Shall continue to register once every two years with the board and  
41 pay a registration fee AND ALL OF AN APPLICABLE LATE FEE as prescribed by  
42 section 32-729.

43           2. Shall not engage in the practice of accounting for a fee or other  
44 compensation while the registrant's certificate remains on retired status.

1           3. Shall not assume or use the title or designation of "certified  
2 public accountant" or "public accountant" or the abbreviation "C.P.A.",  
3 "CPA", "P.A." or "PA" unless accompanied by the word "retired" or the  
4 abbreviation "RET" while the registrant's certificate remains on retired  
5 status.

6           ~~4. C. May apply for reinstatement and the board may reinstate the~~  
7 ~~certificate if the registrant meets~~ A REGISTRANT MAY REQUEST THAT THE  
8 REGISTRANT'S CERTIFICATE BE REACTIVATED IF THE REGISTRANT MEETS all of the  
9 following requirements:

10           1. FILES AN APPLICATION FOR RENEWAL ON THE FORM PRESCRIBED BY THE  
11 BOARD AND PAYS THE REGISTRATION FEE PURSUANT TO SECTION 32-729.

12           ~~(a)~~ 2. Submits proof that the registrant has satisfied continuing  
13 professional education requirements as prescribed by the board.

14           ~~(b) Pays the registration fee pursuant to section 32-729.~~

15           3. AFFIRMS THAT THE REGISTRANT HAS NOT ENGAGED IN ANY CONDUCT THAT  
16 WOULD CONSTITUTE GROUNDS FOR REVOCATION OR SUSPENSION OF A CERTIFICATE  
17 PURSUANT TO SECTION 32-741.

18           Sec. 8. Section 32-731, Arizona Revised Statutes, is amended to read:  
19 32-731. Certified public accountant partnership; qualifications

20           A. Except as provided in section 32-725, subsection G, ONCE EVERY TWO  
21 YEARS a partnership engaged in this state in the practice of accounting by  
22 certified public accountants shall PAY THE REGISTRATION FEE PURSUANT TO  
23 SECTION 32-729 AND register ~~once every two years~~ with the board as a  
24 partnership of certified public accountants and shall meet the following  
25 requirements:

26           1. At least one partner shall be a resident and a full-time practicing  
27 certified public accountant in good standing in this state.

28           2. At least fifty-one per cent of the ownership of the partnership, in  
29 terms of direct and indirect financial interests and voting rights, must  
30 belong to holders in good standing of certificates or licenses to practice  
31 accounting as certified public accountants in any state or foreign country.  
32 Only certified public accountants whose qualifications are considered to be  
33 substantially equivalent, as provided by section 32-721, subsections C and D,  
34 may be considered as meeting the requirement prescribed by this paragraph.

35           B. A partnership registered with the board pursuant to this section  
36 may include owners who are not certified pursuant to this chapter if all of  
37 the following apply:

38           1. The partnership designates an individual who is certified pursuant  
39 to this chapter and who is responsible for the proper registration of the  
40 firm.

41           2. All noncertified partners actively participate in the management of  
42 the partnership or a directly affiliated entity that has been approved by the  
43 board. For the purposes of this paragraph:

44           (a) A partner actively participates if all of the following occur:

1 (i) The partner performs at least five hundred hours of professional  
2 services for the public accounting partnership during the calendar year.

3 (ii) The professional services performed constitute the partner's  
4 principal occupation.

5 (iii) The partner's interest in the public accounting partnership  
6 reverts to the partnership if the partner stops performing services for the  
7 partnership.

8 (b) "Directly affiliated entity" means a firm in which each owner of  
9 an equity interest in the entity actively participates in the business of  
10 providing services to the firm's clients.

11 3. Any partner who is ultimately responsible for supervising attest  
12 services in this state or the partner who signs any reports related to attest  
13 services on behalf of the partnership in this state shall be certified  
14 pursuant to this chapter and shall meet the experience requirements for  
15 carrying out these functions adopted by the board in its rules.

16 4. The partnership complies with other requirements imposed by the  
17 board in its rules.

18 C. Application for registration pursuant to this section shall be made  
19 on affidavit of a partner of the partnership who is a certified public  
20 accountant in good standing in this state. The board in each case shall  
21 determine whether the applicant is eligible for registration. A partnership  
22 that is registered pursuant to this section may use the words "certified  
23 public accountants" or the abbreviation "C.P.A.'s" or "CPA's" in connection  
24 with its partnership name as provided for by the board in its  
25 rules. Partnerships registered pursuant to this chapter may provide attest  
26 services. Notification shall be given to the board within one month of the  
27 termination of any partnership, or of the admission to or withdrawal of an  
28 Arizona partner from any partnership registered pursuant to this section.

29 D. A partnership that applies for an initial registration or a renewal  
30 pursuant to this section shall list in its application all states in which  
31 the partnership has applied for or holds a registration, license or permit as  
32 a certified public accountant partnership and shall list any past denials,  
33 revocations or suspensions of registrations, licenses or permits by any other  
34 state.

35 E. An applicant for registration or a partnership registered pursuant  
36 to this section shall notify the board in writing within one month of any  
37 change of partners whose principal place of business is in this state, any  
38 change in the number or location of offices of the partnership in this state,  
39 any change in the identity of the individuals in charge of the partnership's  
40 offices in this state and any issuance, denial, revocation or suspension of a  
41 registration, license or permit by any other state.

42 F. A partnership that fails to comply with this section due to changes  
43 in the ownership of the firm or personnel after receiving or renewing the  
44 registration must take corrective action to comply with this section as  
45 quickly as possible. The board may grant a reasonable period of time for the

1 firm to take these corrective actions. A failure to comply with these  
2 requirements is grounds for suspension or revocation of the partnership  
3 registration.

4 Sec. 9. Section 32-732, Arizona Revised Statutes, is amended to read:  
5 32-732. Public accountant partnership; requirements

6 A. **ONCE EVERY TWO YEARS** a partnership engaged in this state in the  
7 practice of public accounting as public accountants shall **PAY THE**  
8 **REGISTRATION FEE PURSUANT TO SECTION 32-729 AND** register ~~biennially~~ with the  
9 board as a partnership of public accountants and shall meet the following  
10 requirements:

11 1. All public accountant members of the partnership shall be  
12 residents in good standing in this state.

13 2. At least fifty-one per cent of the ownership of the partnership, in  
14 terms of direct and indirect financial interests and voting rights, must  
15 belong to holders in good standing of certificates or licenses to practice  
16 accounting as public accountants in any state or foreign country.

17 B. A partnership registered with the board pursuant to this section  
18 may include owners who are not public accountants if all of the following  
19 apply:

20 1. The partnership designates a person who is a public accountant and  
21 who is responsible for the proper registration of the firm.

22 2. All partners who are not public accountants actively participate in  
23 the management of the partnership or a directly affiliated entity that has  
24 been approved by the board. For the purposes of this paragraph:

25 (a) A partner actively participates if all of the following occur:

26 (i) The partner performs at least five hundred hours of professional  
27 services for the public accounting partnership during the calendar year.

28 (ii) The professional services performed constitute the partner's  
29 principal occupation.

30 (iii) The partner's interest in the public accounting partnership  
31 reverts to the partnership if the partner stops performing services for the  
32 partnership.

33 (b) "Directly affiliated entity" means a firm where each owner of an  
34 equity interest in the entity actively participates in the business of  
35 providing services to the firm's clients.

36 3. Any person who is responsible for supervising attest services or  
37 for signing reports on financial statements on behalf of the partnership  
38 shall be certified pursuant to this chapter and shall meet the experience  
39 requirements for carrying out these functions adopted by the board in its  
40 rules.

41 4. The partnership complies with other requirements imposed by the  
42 board in its rules.

43 C. Application for registration pursuant to this section shall be made  
44 upon affidavit of a partner of the partnership who is a certified public  
45 accountant or public accountant in good standing in this state. The board in

1 each case shall determine whether the applicant is eligible for  
2 registration. A partnership that is registered pursuant to this section and  
3 that holds a certificate issued pursuant to this chapter may use the words  
4 "public accountants" or the abbreviation "P.A.'s" or "PA's" in connection  
5 with its partnership name as provided for by the board in its rules. Each  
6 partnership registered pursuant to this chapter may provide attest  
7 services. Notification shall be given to the board within one month of the  
8 termination of any partnership, or of the admission to or withdrawal of an  
9 Arizona partner from any partnership registered pursuant to this section.

10 D. A partnership that applies for an initial registration or a renewal  
11 pursuant to this section shall list in its application all states in which  
12 the partnership has applied for or holds a registration, license or permit as  
13 a public accountant partnership and shall list any past denials, revocations  
14 or suspensions of registrations, licenses or permits by any other state.

15 E. An applicant for registration or a partnership registered pursuant  
16 to this section shall notify the board in writing within one month of any  
17 change of partners whose principal place of business is in this state, any  
18 change in the number or location of offices of the partnership in this state,  
19 any change in the identity of the persons in charge of the partnership's  
20 offices in this state and any issuance, denial, revocation or suspension of a  
21 registration, license or permit by any other state.

22 ~~F. A partnership that desires to practice under this chapter must~~  
23 ~~register with the board for a two-year period in the month of the effective~~  
24 ~~date of the formation of the firm and every two years thereafter and pay a~~  
25 ~~registration fee of at least one hundred dollars but not more than three~~  
26 ~~hundred dollars for the privilege of practicing in this state. A partnership~~  
27 ~~registering for less than two years must pay a pro rata portion of the fee.~~

28 ~~G.~~ F. A partnership that fails to comply with this section due to  
29 changes in the ownership of the firm or personnel after receiving or renewing  
30 the registration must take corrective action to comply with this section as  
31 quickly as possible. The board may grant a reasonable period of time for the  
32 firm to take these corrective actions. A failure to comply with these  
33 requirements is grounds for suspension or revocation of the partnership  
34 registration.

35 Sec. 10. Section 32-741.01, Arizona Revised Statutes, is amended to  
36 read:

37 32-741.01. Suspension for nonregistration; expiration of  
38 certificate

39 A. The certificate of any registrant who fails to timely register and  
40 pay the biennial registration fee as required by section 32-729 is  
41 automatically suspended without prior notice or a hearing.

42 B. A registrant whose certificate is suspended shall not assume or use  
43 the title or designation of "certified public accountant" or "public  
44 accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA" while the  
45 registrant's certificate remains on suspended status.

1 C. A suspension under this section is **NOT A DISCIPLINARY ORDER AND IS**  
2 vacated when the board has determined that the registrant has paid all past  
3 due fees and has satisfied all other requirements for renewal.

4 D. If the registrant fails to renew the registrant's registration  
5 within twelve months after the date of suspension, the certificate expires.

6 Sec. 11. Section 32-742, Arizona Revised Statutes, is amended to read:  
7 **32-742. Revocation or suspension of firm's registration:**  
8 **failure to renew; reinstatement**

9 A. After notice and an opportunity for a hearing, the board shall  
10 revoke a firm's registration to practice public accounting if at any time it  
11 does not have all the qualifications prescribed by this chapter.

12 B. After notice and an opportunity for a hearing, the board may revoke  
13 or suspend a firm's registration to practice public accounting and may  
14 additionally take disciplinary action concerning the registrant for any of  
15 the causes enumerated in section 32-741, subsection A or for any of the  
16 following additional causes:

17 1. The revocation or suspension of any certificate issued by the board  
18 of any partner, shareholder, member, manager, officer, director, agent or  
19 employee of the firm.

20 2. The cancellation, revocation, suspension or refusal to renew the  
21 authority of the firm or any Arizona partner, shareholder, member, manager,  
22 officer, director, agent or employee to practice public accounting in any  
23 other state for any cause other than failure to pay ~~an annual~~ A registration  
24 fee in the other state.

25 C. The board shall suspend, without notice or hearing, the  
26 registration to practice public accounting of any firm that fails to register  
27 **AS REQUIRED BY SECTION 32-730** and pay the ~~biennial~~ registration fee as  
28 required by section ~~32-730~~ 32-729. Terms of a suspension issued under this  
29 subsection shall include a provision that the suspension shall be vacated  
30 when the registrant has paid all past due fees and penalties. If the firm  
31 fails to reinstate its registration within twelve months after the date of  
32 suspension, the registration expires.

33 D. A firm whose registration has expired for failure to renew may  
34 apply for reinstatement. The board may reinstate the registration if the  
35 firm meets all of the following requirements:

36 1. Files an application on a form prescribed by the board.

37 2. Has not engaged in any conduct that would constitute grounds for  
38 revocation or suspension of a registration pursuant to section 32-741.

39 3. On board approval of reinstatement, pays the registration fee  
40 pursuant to section 32-729.