

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

CHAPTER 136
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, ~~OR~~ 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 **TO BE** 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 **TO BE** performed in accordance with
22 the 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 (e) **ANY EXAMINATION, REVIEW OR AGREED ON PROCEDURE ENGAGEMENT TO BE**
31 **PERFORMED IN ACCORDANCE WITH THE STATEMENTS ON STANDARDS FOR ATTESTATION**
32 **ENGAGEMENTS ADOPTED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC**
33 **ACCOUNTANTS, OTHER THAN AN EXAMINATION DESCRIBED IN SUBDIVISION (c) OF THIS**
34 **PARAGRAPH.**

35 4. "Attestation" or "attest function" means the issuance by a
36 registrant of a written communication that expresses a conclusion about the
37 reliability of a written assertion that is the responsibility of another
38 party.

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

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

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

1 8. "Consulting services" includes management advisory services,
2 litigation support services, valuation services and other services that
3 require the use of technical skills, education, observation, experience and
4 knowledge to develop an analytical approach to process and to present
5 findings, conclusions or recommendations.

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

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

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

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

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

20 (d) Professional education requirements.

21 (e) A decree of censure.

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

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

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

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

31 12. "Federal securities laws" means the securities act of 1933, the
32 securities exchange act of 1934, the public utility holding company act of
33 1935 and the investment company act of 1940, as amended.

34 13. "Financial statements":

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

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

43 (c) Does not include tax returns or information contained in tax
44 returns.

45 14. "Firm" means a business organization that is engaged in the
46 practice of public accounting and that is established under the laws of any

1 state or foreign country, including a sole practitioner, partnership,
2 professional corporation, professional limited liability company, limited
3 liability company, limited liability partnership or any other entity
4 recognized by the board that has met the applicable requirements contained in
5 sections 32-731 and 32-732.

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

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

16 16. "JURISDICTION" MEANS, FOR THE PURPOSES OF EXAMINATION,
17 CERTIFICATION OR LIMITED RECIPROCITY PRIVILEGE, THE FIFTY STATES OF THE
18 UNITED STATES, THE DISTRICT OF COLUMBIA, THE UNITED STATES VIRGIN ISLANDS,
19 GUAM OR THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

20 ~~16-~~ 17. "Letter of concern" means an advisory letter to notify a
21 registrant that, while the evidence does not warrant disciplinary action, the
22 board believes that the registrant should modify or eliminate certain
23 practices and that continuation of the activities that led to the evidence
24 being submitted to the board may result in board action against the
25 registrant. A letter of concern is not a disciplinary action.

26 ~~17-~~ 18. "Limited reciprocity privilege" means the permission to
27 practice as a certified public accountant in this state pursuant to section
28 32-725 for an individual whose principal place of business is outside of this
29 state.

30 ~~18-~~ 19. "Management advisory services" means advisory services
31 consisting of the development of findings, conclusions or recommendations for
32 the recipient's consideration and decision making.

33 ~~19-~~ 20. "Practice of accounting" means providing accounting services
34 for a client or an employer.

35 ~~20-~~ 21. "Practice of public accounting" means providing accounting
36 services for a client but does not include providing accounting services,
37 other than attest services or compilation services, for a nonprofit entity or
38 a family member without an expectation of and without receiving compensation.

39 ~~21-~~ 22. "Principal place of business" means the office designated by
40 the individual or firm as the principal location for the practice of
41 accounting.

42 ~~22-~~ 23. "Public accountant" means an individual who has been issued a
43 certificate of authority by the board to practice as a public accountant.

44 ~~23-~~ 24. "Registrant" means any certified public accountant, public
45 accountant or firm that is registered with the board.

46 ~~24-~~ 25. "Related courses" means:

- 1 (a) Business administration.
- 2 (b) Statistics.
- 3 (c) Computer science, information systems or data processing.
- 4 (d) Economics.
- 5 (e) Finance.
- 6 (f) Management.
- 7 (g) Business law.
- 8 (h) College algebra or more advanced mathematics.
- 9 (i) Advanced written communication.
- 10 (j) Advanced oral communication.
- 11 (k) Ethics.
- 12 (l) Marketing.
- 13 (m) Other courses closely related to the subject of accounting and
- 14 satisfactory to the board.

15 Sec. 2. Section 32-721, Arizona Revised Statutes, is amended to read:
16 32-721. Certified public accountants; qualifications

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

- 19 1. Meets the requirements of ~~sections 1-501 and~~ SECTION 41-1080.
- 20 2. Is at least eighteen years of age.
- 21 3. Is of good moral character.
- 22 4. Has not engaged in any conduct that would constitute grounds for
- 23 revocation or suspension of a certificate or other disciplinary action
- 24 pursuant to section 32-741.

25 5. Meets the requirements of subsection B, C or D of this section.

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

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

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

45 (a) At least thirty-six semester hours are nonduplicative accounting
46 courses of which at least thirty semester hours are upper division courses.

1 (b) At least thirty semester hours are related courses.

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

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

11 2. The applicant has a baccalaureate degree or its equivalent or a
12 higher degree from an accredited institution or a college or university that
13 maintains standards comparable to those of an accredited institution and
14 either of the following applies:

15 (a) The applicant has been employed as a certified public accountant
16 in the practice of accounting for at least three years and has completed at
17 least one hundred fifty semester hours of education that includes both of the
18 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 (b) The applicant has been employed as a certified public accountant
23 in the practice of accounting for at least five of the ten preceding years
24 and has completed both of the following:

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

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

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

30 D. If an applicant passes the international uniform certified public
31 accountant qualification examination of the American institute of certified
32 public accountants, all of the following apply:

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

36 2. The board recognizes that the applicant's qualifications are
37 substantially equivalent to the qualifications of certified public
38 accountants in the United States in the areas of education, examination and
39 experience.

40 Sec. 3. Section 32-729, Arizona Revised Statutes, is amended to read:
41 32-729. Fees

42 The board shall establish and collect:

43 1. A uniform fee from an applicant for each initial examination and
44 reexamination application pursuant to section 32-723 to cover reasonable
45 costs of reviewing the applicant's eligibility to take the examination and

1 facilitating the applicant to take the examination until the applicant passes
2 all sections.

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

5 3. A uniform registration fee of at least one hundred and not more
6 than three hundred dollars from each applicant for registration as a
7 certified public accountant or public accountant pursuant to section 32-730.
8 The registration fee is due during the month of the anniversary of the
9 registrant's birth. Registrants for less than two years shall be charged on
10 a pro rata basis for the remainder of the registration period. The board
11 shall establish and collect a late fee, if applicable, of not more than one
12 hundred dollars.

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

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

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

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

29 **32-730.01. Inactive status; reactivation; exception**

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

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

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

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

44 3. In this state shall not assume or use the title or designation of
45 "certified public accountant" or "public accountant" or the abbreviation

1 "C.P.A.", "CPA", "P.A." or "PA" while the registrant's certificate remains on
2 inactive status unless accompanied by the word "inactive".

3 C. ~~Except as otherwise provided in this chapter,~~ A registrant ~~who~~
4 ~~elects to place a certificate on inactive status~~ may ~~reactivate the~~
5 ~~certificate~~ REQUEST THAT THE REGISTRANT'S CERTIFICATE BE REACTIVATED if the
6 certificate has been inactive for six years or less ~~by doing~~ AND IF THE
7 REGISTRANT MEETS all of the following REQUIREMENTS:

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

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

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

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

17 E. A certificate expires if it has been inactive for more than six
18 years.

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

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

23 32-730.02. Canceled status; reinstatement

24 A. A registrant may cancel a certificate or registration by submitting
25 a written request on a form prescribed by the board. A registrant whose
26 certificate or registration is under a disciplinary order by the board or
27 against whom disciplinary proceedings have been initiated may not cancel the
28 certificate or registration.

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

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

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

40 ~~2-~~ 1. Files an application for reinstatement on the form prescribed
41 by the board and pays the reinstatement application fee pursuant to section
42 32-729.

43 ~~3-~~ 2. Submits proof that the individual has satisfied continuing
44 professional education requirements as prescribed by the board.

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

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

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

8 32-730.03. Expired status; reinstatement

9 A. A registrant's certificate is expired if the registrant fails to
10 reinstate the certificate within twelve months after it has been suspended
11 pursuant to section 32-741.01 or 32-741.02 or fails to reinstate a
12 certificate that has been on inactive status pursuant to section 32-730.01
13 for more than six years.

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

19 C. An individual whose certificate has expired may apply for
20 reinstatement and the board may reinstate the certificate if the individual
21 meets all of the following requirements:

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

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

26 ~~3-~~ 2. Submits proof that the individual has satisfied continuing
27 professional education requirements as prescribed by the board.

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

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

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

35 32-730.04. Retired status; reactivation

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

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

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

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

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

11 ~~4. C. May apply for reinstatement and the board may reinstate the~~
12 ~~certificate if the registrant meets~~ **A REGISTRANT MAY REQUEST THAT THE**
13 **REGISTRANT'S CERTIFICATE BE REACTIVATED IF THE REGISTRANT MEETS** all of the
14 following requirements:

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

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

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

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

23 Sec. 8. Section 32-731, Arizona Revised Statutes, is amended to read:
24 **32-731. Certified public accountant partnership; qualifications**

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

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

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

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

43 1. The partnership designates an individual who is certified pursuant
44 to this chapter and who is responsible for the proper registration of the
45 firm.

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

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

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

7 (ii) The professional services performed constitute the partner's
8 principal occupation.

9 (iii) The partner's interest in the public accounting partnership
10 reverts to the partnership if the partner stops performing services for the
11 partnership.

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

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

20 4. The partnership complies with other requirements imposed by the
21 board in its rules.

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

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

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

1 F. A partnership that fails to comply with this section due to changes
2 in the ownership of the firm or personnel after receiving or renewing the
3 registration must take corrective action to comply with this section as
4 quickly as possible. The board may grant a reasonable period of time for the
5 firm to take these corrective actions. A failure to comply with these
6 requirements is grounds for suspension or revocation of the partnership
7 registration.

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

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

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

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

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

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

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

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

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

32 (ii) The professional services performed constitute the partner's
33 principal occupation.

34 (iii) The partner's interest in the public accounting partnership
35 reverts to the partnership if the partner stops performing services for the
36 partnership.

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

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

45 4. The partnership complies with other requirements imposed by the
46 board in its rules.

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

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

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

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

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

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

40 32-741.01. Suspension for nonregistration; expiration of
41 certificate

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

45 B. A registrant whose certificate is suspended shall not assume or use
46 the title or designation of "certified public accountant" or "public

1 accountant" or the abbreviation "C.P.A.", "CPA", "P.A." or "PA" while the
2 registrant's certificate remains on suspended status.

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

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

8 Sec. 11. Section 32-742, Arizona Revised Statutes, is amended to read:

9 **32-742. Revocation or suspension of firm's registration;**
10 **failure to renew; reinstatement**

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

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

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

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

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

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

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

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

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

H.B. 2263

APPROVED BY THE GOVERNOR APRIL 22, 2014.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 23, 2014.