

REFERENCE TITLE: certified public accountants; reciprocity privilege

State of Arizona
Senate
Forty-eighth Legislature
Second Regular Session
2008

SB 1227

Introduced by
Senator Leff

AN ACT

AMENDING SECTIONS 32-701, 32-703, 32-721, 32-725, 32-730, 32-731, 32-742, 32-747 AND 32-747.01, 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. "Accredited institution" means any public or private regionally or
7 nationally accredited college or university that is accredited by an
8 organization recognized by the council for higher education accreditation or
9 its successor agency.

10 2. "Attestation" or "attest function" means the issuance by a
11 registrant of a written communication that expresses a conclusion about the
12 reliability of a written assertion that is the responsibility of another
13 party.

14 3. "Board" means the Arizona state board of accountancy established by
15 section 32-702.

16 4. "Certified public accountant" means ~~a person~~ AN INDIVIDUAL who has
17 been issued a certificate of authority by the board to practice as a
18 certified public accountant, including ~~a person~~ AN INDIVIDUAL on inactive
19 status.

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

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

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

30 (b) Restrictions on the scope of registrants' accounting practice,
31 including, without limitation, restriction of audit or attest function
32 practice, restriction of tax practice, ~~—~~ or restriction of management advisory
33 practice.

34 (c) Peer review and professional education requirements.

35 (d) A decree of censure.

36 (e) Probation requirements best adapted to protect the public welfare
37 that may include a requirement for restitution payments to accounting
38 services clients or to other persons suffering economic loss resulting from
39 violations of this chapter or rules adopted pursuant to this chapter.

40 (f) Reimbursement of the board's costs of investigations and
41 proceedings initiated under this chapter.

42 7. "Federal securities laws" means the securities act of 1933, the
43 securities exchange act of 1934, the public utility holding company act of
44 1935 and the investment company act of 1940, as amended.

1 8. "Firm" means a business organization that is engaged in the
2 practice of accounting and that is established under the laws of any state or
3 foreign country, including a sole practitioner, partnership, professional
4 corporation, professional limited liability company, limited liability
5 company, limited liability partnership or any other entity recognized by the
6 board that has met the applicable requirements contained in sections 32-731
7 and 32-732.

8 9. "Letter of concern" means an advisory letter to notify a registrant
9 that, while the evidence does not warrant disciplinary action, the board
10 believes that the registrant should modify or eliminate certain practices and
11 that continuation of the activities that led to the evidence being submitted
12 to the board may result in board action against the registrant. A letter of
13 concern is not a disciplinary action.

14 10. "LIMITED RECIPROCITY PRIVILEGE" MEANS THE PERMISSION TO PRACTICE AS
15 A CERTIFIED PUBLIC ACCOUNTANT IN THIS STATE PURSUANT TO SECTION 32-725 FOR AN
16 INDIVIDUAL WHOSE PRINCIPAL PLACE OF BUSINESS IS OUTSIDE OF THIS STATE.

17 ~~10-~~ 11. "Practice of accounting" means providing any accounting
18 services, including recording and summarizing financial transactions,
19 analyzing and verifying financial information, examining, reviewing and
20 reporting on financial statements, reporting financial results to an
21 employer, clients or other parties and rendering attestation, tax and
22 management advisory services to an employer, clients or other parties.

23 12. "PRINCIPAL PLACE OF BUSINESS" MEANS THE OFFICE DESIGNATED BY THE
24 INDIVIDUAL OR FIRM AS THE PRINCIPAL LOCATION FOR THE PRACTICE OF ACCOUNTING.

25 ~~11-~~ 13. "Public accountant" means ~~a person~~ AN INDIVIDUAL who has been
26 issued a certificate of authority by the board to practice as a public
27 accountant, including ~~a person~~ AN INDIVIDUAL on inactive status.

28 14. "RECIPROCITY" MEANS THE ISSUANCE OF A CERTIFICATE BY THE BOARD TO
29 AN INDIVIDUAL TO PRACTICE AS A CERTIFIED PUBLIC ACCOUNTANT IN THIS STATE AS
30 PROVIDED BY SECTION 32-724.

31 ~~12-~~ 15. "Related courses" means:

- 32 (a) Business administration.
- 33 (b) Statistics.
- 34 (c) Computer science, information systems or data processing.
- 35 (d) Economics.
- 36 (e) Finance.
- 37 (f) Management.
- 38 (g) Business law.
- 39 (h) College algebra or more advanced mathematics.
- 40 (i) Advanced written communication.
- 41 (j) Advanced oral communication.
- 42 (k) Ethics.

1 (l) Other courses closely related to the subject of accounting and
2 satisfactory to the board.

3 ~~13-~~ 16. "Restricted financial services" means the following services
4 rendered by the holder of a certificate issued by the board:

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

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

11 (c) Attestation engagements performed in accordance with the
12 statements on standards for attestation engagements adopted by the American
13 institute of certified public accountants.

14 (d) THE PREPARATION AND ISSUANCE OF AUDIT REPORTS AS REQUIRED BY THE
15 SARBANES-OXLEY ACT OF 2002 (P.L. 107-204; 116 STAT. 745) OR THE RULES OF THE
16 SECURITIES AND EXCHANGE COMMISSION.

17 Sec. 2. Section 32-703, Arizona Revised Statutes, is amended to read:

18 ~~32-703.~~ Powers and duties; rules; executive director; advisory
19 committees and individuals

20 A. The primary duty of the board is to protect the public from
21 unlawful, incompetent, unqualified or unprofessional certified public
22 accountants or public accountants through certification, regulation and
23 rehabilitation.

24 B. The board may:

25 1. Investigate complaints filed with the board or on its own motion to
26 determine whether a certified public accountant or public accountant has
27 engaged in conduct in violation of this chapter or rules adopted pursuant to
28 this chapter.

29 2. Establish and maintain high standards of competence, independence
30 and integrity in the practice of accounting by a certified public accountant
31 or by a public accountant as required by generally accepted auditing
32 standards and generally accepted accounting principles and, in the case of
33 publicly held corporations or enterprises offering securities for sale, in
34 accordance with state or federal securities agency accounting requirements.

35 3. Establish reporting requirements that require registrants to report
36 ~~any suspension or revocation of:~~

37 (a) THE IMPOSITION OF ANY DISCIPLINE ON the right to practice before
38 the federal securities and exchange commission, THE INTERNAL REVENUE SERVICE,
39 ANY STATE BOARD OF ACCOUNTANCY, ~~or~~ other government agencies, ~~OR THE PUBLIC~~
40 COMPANY ACCOUNTING OVERSIGHT BOARD.

41 (b) ANY criminal ~~convictions~~ CONVICTION, ANY civil ~~judgments~~ JUDGMENT
42 involving negligence in the practice of accounting by a certified public
43 accountant or by a public accountant and ~~judgments~~ ANY JUDGMENT or ~~orders~~
44 ORDER as described in section 32-741, subsection A, paragraphs 7 and 8.

- 1 4. Establish basic requirements for continuing professional education
2 of certified public accountants and public accountants, except that the
3 requirements shall not exceed eighty classroom hours in any registration
4 renewal period.
- 5 5. Adopt procedures concerning disciplinary actions, administrative
6 hearings and consent decisions.
- 7 6. Issue to qualified applicants certificates executed for and on
8 behalf of the board by the signatures of the president and secretary of the
9 board.
- 10 7. Adopt procedures and rules concerning examination and grading the
11 examinations of ~~persons~~ INDIVIDUALS applying for a certificate as required by
12 this chapter.
- 13 8. Require peer review pursuant to rules adopted by the board on a
14 general and random basis of the professional work of a registrant engaged in
15 the practice of accounting.
- 16 9. Employ an executive director and other personnel that it considers
17 necessary to administer and enforce this chapter.
- 18 10. Appoint committees or ~~persons~~ INDIVIDUALS as it considers necessary
19 to advise or assist the board in administering and enforcing this chapter.
20 These committees and ~~persons~~ INDIVIDUALS serve at the pleasure of the board.
- 21 11. Take all action that is necessary and proper to effectuate the
22 purposes of this chapter.
- 23 12. Sue and be sued in its official name as an agency of this state.
- 24 13. Adopt and amend rules concerning the definition of terms, the
25 orderly conduct of the board's affairs and the effective administration of
26 this chapter.
- 27 C. The board or an authorized agent of the board may:
- 28 1. Issue subpoenas to compel the attendance of witnesses or the
29 production of documents. If a subpoena is disobeyed, the board may invoke
30 the aid of any court in requiring the attendance and testimony of witnesses
31 and the production of documents.
- 32 2. Administer oaths and take testimony.
- 33 3. Cooperate with the appropriate authorities in other jurisdictions
34 in investigation and enforcement concerning violations of this chapter and
35 comparable statutes of other jurisdictions.
- 36 4. Receive evidence concerning all matters within the scope of this
37 chapter.
- 38 Sec. 3. Section 32-721, Arizona Revised Statutes, is amended to read:
39 32-721. Certified public accountants; qualifications
- 40 A. The board shall issue a certificate of certified public accountant
41 to any ~~person~~ INDIVIDUAL who:
- 42 1. Meets the requirement to take the examination pursuant to section
43 32-723.

1 2. Within a period of time prescribed by the rules of the board, has
2 obtained a passing grade in each subject of the examination for certified
3 public accountant in this state, or in any other state, territory or
4 possession of the United States that uses the questions and grading
5 facilities of the American institute of certified public accountants or any
6 other institution approved by the board.

7 3. Meets the following character and fitness requirements:

8 (a) Is at least eighteen years of age.

9 (b) Is of good moral character.

10 (c) Has not engaged in any conduct that would constitute grounds for
11 revocation or suspension of a certificate or other disciplinary action
12 pursuant to section 32-741.

13 4. Meets the additional experience and educational requirements
14 prescribed by ~~either~~ subsection B ~~or C~~ of this section, as applicable.

15 ~~B. In addition to the requirements prescribed by subsection A of this~~
16 ~~section, through June 30, 2004, the applicant must meet the experience and~~
17 ~~education requirements prescribed by either paragraph 1 or 2 of this~~
18 ~~subsection as follows:~~

19 ~~1. The applicant must have been employed full time, either before or~~
20 ~~after passing each section of the examination for certified public~~
21 ~~accountant, for a period of at least two years in the office of a certified~~
22 ~~public accountant or public accountant, in private industry or in a~~
23 ~~government agency that has exposed the applicant to and provided the~~
24 ~~applicant with experience in the practice of accounting. The board may~~
25 ~~accept part time employment as a substitute for the requirement of two years~~
26 ~~of full time employment if the part time employment provides the applicant~~
27 ~~with equivalent experience in the practice of accounting.~~

28 ~~2. The applicant must have completed one year of the experience~~
29 ~~described by paragraph 1 of this subsection and hold a master's or more~~
30 ~~advanced degree in accounting, tax or business administration from an~~
31 ~~accredited institution or a college or university maintaining standards~~
32 ~~comparable to those of an accredited institution. The academic transcript~~
33 ~~showing completion of the degree program must include at least thirty~~
34 ~~semester hours in accounting and related courses, of which at least twelve~~
35 ~~semester hours of credit must be in graduate level accounting courses.~~

36 ~~C.~~ B. In addition to the requirements prescribed by subsection A of
37 this section, ~~from and after June 30, 2004,~~ the applicant must meet both of
38 the following requirements:

39 1. Have been employed full time, either before or after passing each
40 section of the examination for certified public accountant, for at least one
41 year in the office of a certified public accountant or public accountant, in
42 private industry or with a government agency that has exposed the applicant
43 to and provided the applicant with experience in the practice of accounting.
44 The board may accept part-time employment as a substitute for the requirement

1 of one year of full-time employment if the part-time employment provides the
2 applicant with equivalent experience in the practice of accounting.

3 2. Present satisfactory evidence from an accredited institution or a
4 college or university maintaining standards comparable to those of an
5 accredited institution that the applicant has completed at least one hundred
6 fifty semester hours of education of which:

7 (a) At least thirty-six semester hours are accounting courses of which
8 at least thirty semester hours are upper level courses.

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

10 ~~D. For the purpose of transition to educational requirements described~~
11 ~~in subsection C, paragraph 2 of this section, the board shall issue a~~
12 ~~certificate of certified public accountant to any person who:~~

13 ~~1. Meets the requirements of subsection A, paragraphs 1 and 3 of this~~
14 ~~section.~~

15 ~~2. Has completed the requirements of subsection A, paragraph 2 of this~~
16 ~~section by June 30, 2004.~~

17 ~~3. Has completed the requirements of subsection B, paragraph 1 or 2 of~~
18 ~~this section by November 30, 2005.~~

19 ~~4. On or before December 31, 2005, submits a completed application and~~
20 ~~all required documentation for the issuance of a certificate.~~

21 Sec. 4. Section 32-725, Arizona Revised Statutes, is amended to read:

22 32-725. Limited reciprocity privilege; qualifications

23 A. The ~~board may grant permission of~~ limited reciprocity ~~to~~ PRIVILEGE
24 MAY BE EXERCISED BY an applicant whose INDIVIDUAL WHO IS NOT A RESIDENT OF
25 THIS STATE AND WHO MEETS THE REQUIREMENTS OF THIS SECTION.

26 B. TO QUALIFY TO EXERCISE THE LIMITED RECIPROCITY PRIVILEGE, AN
27 INDIVIDUAL MUST:

28 1. HAVE A principal place of business ~~is not in this state and who~~
29 ~~holds either:~~ THAT IS NOT IN THIS STATE.

30 2. NOT BE THE SUBJECT OF SUSPENSION OR REVOCATION OF A CERTIFICATE AS
31 PROVIDED BY SECTION 32-741 OR RELINQUISHMENT OF A CERTIFICATE AS PROVIDED BY
32 SECTION 32-741.01.

33 ~~1.~~ 3. HOLD a valid REGISTRATION, certificate or license as a
34 certified public accountant issued by any ANOTHER state ~~or foreign country~~
35 ~~with licensure requirements for certified public accountants that the board~~
36 ~~has verified to be substantially equivalent to the requirements for licensure~~
37 ~~as a certified public accountant in this state. That individual is~~
38 ~~considered to have qualifications that are substantially equivalent to the~~
39 ~~requirements prescribed pursuant to this chapter, as provided by section~~
40 ~~32-726, and has all of the privileges of certificate holders and licensees in~~
41 ~~this state without obtaining a certificate or permit under this chapter. To~~
42 ~~obtain limited reciprocity under this paragraph, the individual must AND~~
43 ~~EITHER OF THE FOLLOWING MUST APPLY:~~

44 (a) ~~Notify the board of the intent to enter this state for purposes of~~
45 ~~this section.~~

1 ~~(b) Affirm to the board by affidavit that the applicant is in good~~
2 ~~standing in each state in which the applicant holds a certificate or license.~~

3 ~~(c) Designate an address in this state for the service of process.~~

4 ~~(d) Pay an application fee in an amount prescribed pursuant to section~~
5 ~~32-729, subsection B.~~

6 (a) THE OTHER STATE REQUIRES AS A CONDITION OF LICENSURE ON OR BEFORE
7 DECEMBER 31, 2011 THAT AN INDIVIDUAL HAS ALL OF THE FOLLOWING:

8 (i) AT LEAST ONE HUNDRED FIFTY SEMESTER HOURS OF COLLEGE EDUCATION
9 INCLUDING A BACCALAUREATE DEGREE CONFERRED BY AN ACCREDITED INSTITUTION.

10 (ii) A PASSING GRADE ON THE UNIFORM CERTIFIED PUBLIC ACCOUNTANT
11 EXAMINATION.

12 (iii) AT LEAST ONE YEAR OF EXPERIENCE IN THE PRACTICE OF ACCOUNTING
13 THAT HAS BEEN VERIFIED.

14 (b) THE INDIVIDUAL MEETS THE QUALIFICATIONS PRESCRIBED IN SECTION
15 32-726.

16 ~~2. C. A valid certificate or license as a certified public accountant~~
17 ~~issued by any state or foreign country with licensure requirements for~~
18 ~~certified public accountants that the board has not verified to be~~
19 ~~substantially equivalent to the requirement for licensure as a certified~~
20 ~~public accountant in this state. That individual~~ AN INDIVIDUAL QUALIFYING
21 FOR LIMITED RECIPROCITY PRIVILEGE UNDER THIS SECTION is considered to have
22 qualifications that are substantially equivalent to the requirements
23 prescribed pursuant to this chapter, as provided by section 32-726, and has
24 all of the privileges of REGISTRANTS, certificate holders and OR licensees in
25 this state without obtaining a REGISTRATION, certificate or permit LICENSE
26 under this chapter. ~~To obtain limited reciprocity under this paragraph, the~~
27 ~~individual must:~~

28 ~~(a) Notify the board of the intent to enter this state for purposes of~~
29 ~~this section.~~

30 ~~(b) Submit to the board an affidavit on a form provided by the board~~
31 ~~affirming that the applicant:~~

32 ~~(i) Possesses qualifications that are considered to be substantially~~
33 ~~equivalent to the requirement for licensure as a certified public accountant~~
34 ~~in this state.~~

35 ~~(ii) Is in good standing in each state in which the applicant holds a~~
36 ~~license or certificate.~~

37 ~~(c) Designate an address in this state for the service of process.~~

38 ~~(d) Pay an application fee in an amount prescribed pursuant to section~~
39 ~~32-729, subsection B and section 32-730, subsection A.~~

40 ~~B. The privileges extended under this section permit the individual to~~
41 ~~practice as a certified public accountant in this state for not more than~~
42 ~~twelve consecutive months. On written application, the board in its~~
43 ~~discretion may extend the certificate for an additional six months. Each~~
44 ~~application for extension must include an application fee in an amount~~
45 ~~prescribed pursuant to section 32-729, subsection B.~~

1 ~~C. As a condition of exercising the privileges provided by this~~
2 ~~section, a licensee or registrant of another state who exercises the~~
3 ~~privileges provided by this section agrees and consents, as a registrant for~~
4 ~~purposes of limited reciprocity, to:~~

5 ~~1. Comply with this chapter and rules adopted pursuant to this~~
6 ~~chapter.~~

7 ~~2. The personal and subject matter jurisdiction and disciplinary~~
8 ~~authority of the board.~~

9 ~~3. Accept service of process in any action or proceeding by the board~~
10 ~~at the address designated in the application for limited reciprocity under~~
11 ~~this section.~~

12 ~~D. Persons who hold valid certificates or licenses as certified public~~
13 ~~accountants issued by other states or foreign countries, whose principal~~
14 ~~places of business are not in this state, may practice and hold themselves~~
15 ~~out as certified public accountants in this state for a period of not more~~
16 ~~than sixty calendar days in a calendar year without complying with the~~
17 ~~limited reciprocity requirements of this section if either:~~

18 ~~1. The person is acting in the capacity of a partner, director, member~~
19 ~~or employee of a firm that is registered to practice public accounting in~~
20 ~~this state pursuant to section 32-731 or 32-732.~~

21 ~~2. The person notifies the person's client in this state that the~~
22 ~~person is not subject to the regulatory jurisdiction of the board and the~~
23 ~~client acknowledges receiving the notice in writing.~~

24 ~~3. The person is sponsored by an individual or firm that is licensed~~
25 ~~or registered to practice public accounting in this state and the sponsor~~
26 ~~agrees in writing to be liable for any damages caused by, resulting from or~~
27 ~~attributable to the sponsored person's acts or omissions while the person is~~
28 ~~providing any manner of accounting services, including tax services, in this~~
29 ~~state.~~

30 ~~E. If the person's activities are limited to the following, the time~~
31 ~~period provided in subsection D of this section does not apply:~~

32 ~~1. Expert witness services.~~

33 ~~2. Teaching or lecturing.~~

34 ~~3. Other services as determined by the board.~~

35 D. AN INDIVIDUAL QUALIFYING FOR LIMITED RECIPROCITY PRIVILEGE UNDER
36 THIS SECTION MAY USE THE TITLE "CPA" OR "CERTIFIED PUBLIC ACCOUNTANT" AND MAY
37 OFFER OR PRACTICE ACCOUNTING IN PERSON OR BY MAIL, TELEPHONE OR ELECTRONIC
38 MEANS. NO NOTICE, FEE OR OTHER SUBMISSION IS REQUIRED. THE INDIVIDUAL IS
39 SUBJECT TO THE REQUIREMENTS PRESCRIBED IN SUBSECTION E OF THIS SECTION.

40 E. EACH INDIVIDUAL WHO HOLDS A REGISTRATION, CERTIFICATE OR LICENSE
41 ISSUED BY ANOTHER STATE AND WHO EXERCISES THE LIMITED RECIPROCITY PRIVILEGE
42 AND EACH PARTNERSHIP, CORPORATION OR OTHER ENTITY ENGAGING IN THE PRACTICE OF
43 ACCOUNTING AS PROVIDED BY THIS SECTION, AS A CONDITION OF EXERCISING THE
44 PRIVILEGE PROVIDED BY THIS SECTION:

1 1. SHALL:
2 (a) COMPLY WITH ARTICLE 3 OF THIS CHAPTER AND RULES ADOPTED PURSUANT
3 TO ARTICLE 3 OF THIS CHAPTER. IN ANY INVESTIGATION OR OTHER PROCEEDINGS
4 CONDUCTED PURSUANT TO ARTICLE 3 OF THIS CHAPTER, AN INDIVIDUAL CLAIMING
5 PERMISSION TO PRACTICE AS A CERTIFIED PUBLIC ACCOUNTANT IN THIS STATE UNDER
6 THE LIMITED RECIPROCITY PRIVILEGE HAS THE BURDEN OF DEMONSTRATING THAT THE
7 APPLICABLE REQUIREMENTS OF SUBSECTION B OF THIS SECTION HAVE BEEN SATISFIED.
8 (b) CEASE THE OFFERING OR PRACTICING OF ACCOUNTING IN PERSON OR BY
9 MAIL, TELEPHONE OR ELECTRONIC MEANS IN THIS STATE IF THE INDIVIDUAL NO LONGER
10 SATISFIES THE REQUIREMENTS OF SUBSECTION B OF THIS SECTION OR THE
11 PARTNERSHIP, CORPORATION OR OTHER ENTITY NO LONGER SATISFIES THE REQUIREMENTS
12 OF SUBSECTION G OF THIS SECTION.
13 2. IS SUBJECT TO:
14 (a) THE PERSONAL AND SUBJECT MATTER JURISDICTION OF THE BOARD AND THE
15 POWER OF THE BOARD TO INVESTIGATE COMPLAINTS AND TAKE DISCIPLINARY ACTION.
16 (b) SERVICE BY EITHER OF THE FOLLOWING:
17 (i) THE APPOINTMENT OF THE STATE BOARD THAT ISSUED THE REGISTRATION,
18 CERTIFICATE OR LICENSE TO THE INDIVIDUAL AS AGENT, ON WHOM PROCESS MAY BE
19 SERVED IN ANY ACTION OR PROCEEDING AGAINST THE PERSON BY THE BOARD.
20 (ii) DIRECTLY ON THE PERSON.
21 F. ANY INDIVIDUAL WHO HOLDS A VALID REGISTRATION, CERTIFICATE OR
22 LICENSE AS A CERTIFIED PUBLIC ACCOUNTANT ISSUED BY ANOTHER STATE OR A FOREIGN
23 COUNTRY, WHOSE PRINCIPAL PLACE OF BUSINESS IS NOT IN THIS STATE AND WHO DOES
24 NOT OTHERWISE QUALIFY UNDER THIS SECTION FOR LIMITED RECIPROCITY PRIVILEGE
25 MAY ENTER THIS STATE AND PROVIDE SERVICES IF THE SERVICES ARE LIMITED TO THE
26 FOLLOWING:
27 1. EXPERT WITNESS SERVICES.
28 2. TEACHING OR LECTURING.
29 3. OTHER SERVICES AS DETERMINED BY THE BOARD.
30 G. A PARTNERSHIP, CORPORATION OR OTHER ENTITY FORMED UNDER THE LAWS OF
31 ANOTHER STATE RELATING TO THE PRACTICE OF ACCOUNTING IN THAT STATE MAY USE
32 THE TITLE "CERTIFIED PUBLIC ACCOUNTANT" OR "CPA" IN THIS STATE AND MAY ENGAGE
33 IN THE PRACTICE OF ACCOUNTING IN THIS STATE, INCLUDING THE PROVISION OF
34 RESTRICTED FINANCIAL SERVICES, WITHOUT HAVING TO REGISTER AS A FIRM IF ALL OF
35 THE FOLLOWING APPLY:
36 1. THE PARTNERSHIP, CORPORATION OR OTHER ENTITY IS OWNED BY OR EMPLOYS
37 AN INDIVIDUAL WHO IS A LIMITED RECIPROCITY PRIVILEGE HOLDER PURSUANT TO THIS
38 SECTION.
39 2. THE PARTNERSHIP, CORPORATION OR OTHER ENTITY IS IN GOOD STANDING IN
40 ITS PRINCIPAL PLACE OF BUSINESS UNDER THE LAWS OF THAT JURISDICTION RELATING
41 TO THE PRACTICE OF ACCOUNTING.
42 3. THE PRINCIPAL PLACE OF BUSINESS OF THE LIMITED RECIPROCITY
43 PRIVILEGE HOLDER IS A RECOGNIZED PLACE OF BUSINESS FOR THE PRACTICE OF
44 ACCOUNTING BY THE PARTNERSHIP, CORPORATION OR OTHER ENTITY.

1 4. THE PARTNERSHIP, CORPORATION OR OTHER ENTITY DOES NOT HAVE AN
2 OFFICE IN THIS STATE AND DOES NOT REPRESENT THAT IT HAS AN OFFICE IN THIS
3 STATE.

4 Sec. 5. Section 32-730, Arizona Revised Statutes, is amended to read:
5 32-730. Biennial registration; continuing education; inactive
6 certificates; cancellation

7 A. Except as provided in subsection C of this section, the board shall
8 biennially require every certified public accountant, public accountant and
9 firm to register with the board and pay a registration fee of not less than
10 one hundred nor more than three hundred dollars during the month of the
11 anniversary of the registrant's birth in the case of an individual or, in the
12 case of a registered firm, during the month of the anniversary of the
13 effective date of the firm's formation. In the administration of this
14 section, registrants for less than two years shall be charged on a pro rata
15 basis for the remainder of the registration period.

16 B. A certified public accountant or public accountant who is not
17 actively engaged in the practice of accounting may request that the ~~person's~~
18 INDIVIDUAL'S certificate be placed on inactive status by meeting the
19 requirements for inactive status and completing the forms prescribed by the
20 board. A certified public accountant or public accountant whose certificate
21 has been suspended by the board or against whom disciplinary proceedings have
22 been initiated may not place or maintain his certificate on inactive status.
23 A certified public accountant or public accountant who elects to place a
24 certificate on inactive status:

25 1. Shall continue to biennially register with the board and pay the
26 required fees.

27 2. Shall not engage in the practice of accounting for a fee or other
28 compensation while the ~~person~~ INDIVIDUAL remains on inactive status.

29 3. Shall not assume or use the title or designation of "certified
30 public accountant" or "public accountant" or the abbreviation "C.P.A.",
31 "CPA", "P.A." or "PA" while the person remains on inactive status.

32 C. The registration fee for certified public accountants and public
33 accountants may be reduced or waived by the board for registrants who are at
34 least sixty-five years of age or who have become disabled to a degree
35 precluding the continuance of their practice for six months or more prior to
36 the due date of any renewal fee.

37 D. At the time of registration, every certified public accountant and
38 public accountant shall as a prerequisite to biennial registration submit to
39 the board satisfactory proof, in a manner prescribed by the board, that the
40 registrant has completed the continuing education requirements established by
41 the board. The board may grant an exemption from continuing professional
42 education requirements for registrants on a demonstration of good cause as
43 determined by the board.

1 E. Except as otherwise provided in this chapter, a certified public
2 accountant or public accountant who elects to place a certificate on inactive
3 status may reactivate the certificate if the certificate has been inactive
4 for six years or less by doing all of the following:

5 1. Filing an application for renewal on the form prescribed by the
6 board and paying the applicable fees.

7 2. Submitting proof that the certified public accountant or public
8 accountant has satisfied continuing education requirements prescribed by the
9 board in its rules.

10 3. Affirming that the certified public accountant or public accountant
11 has not engaged in any conduct that would constitute grounds for revocation
12 or suspension of a certificate pursuant to section 32-741.

13 F. A registrant may reactivate an inactive certificate pursuant to
14 subsection E of this section only one time. Reactivation of an inactive
15 certificate pursuant to subsection E of this section is effective on the date
16 that the application for reactivation is approved by the board. A
17 certificate that is reactivated pursuant to subsection E of this section
18 continues in effect through the date prescribed in subsection A of this
19 section.

20 G. A certificate that has been inactive for more than six years
21 expires.

22 H. A certified public accountant or public accountant whose
23 certificate has expired or been canceled and who does not meet the good cause
24 requirements of section 32-741 may apply for and reactivate or reinstate the
25 certificate if the certified public accountant or public accountant meets all
26 of the following requirements:

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

29 2. Pays all fees required of applicants for initial certification.

30 3. Takes and passes the examination required of applicants for initial
31 certification.

32 I. A certified public accountant or public accountant who is not
33 actively engaged in the practice of accounting and who does not want to renew
34 or place the certificate on inactive status may request that the certificate
35 be canceled by submitting a written request on a form approved by the board.
36 This subsection does not apply if **A COMPLAINT HAS BEEN FILED WITH THE BOARD**
37 **OR** disciplinary proceedings are pending against the certified public
38 accountant or public accountant.

39 J. Each firm established or maintained in this state for the purpose
40 of a certified public accountant or a public accountant to practice
41 accounting in this state shall register biennially under this chapter with
42 the board. The board shall not charge a fee for registration of additional
43 offices of the same firm or sole practitioner. The board shall prescribe by
44 rule the required registration procedures for this subsection.

1 K. A FIRM THAT IS ESTABLISHED OR MAINTAINED IN THIS STATE FOR THE
2 PURPOSE OF A CERTIFIED PUBLIC ACCOUNTANT OR A PUBLIC ACCOUNTANT PRACTICING
3 ACCOUNTING IN THIS STATE AND THAT DOES NOT WANT TO RENEW ITS REGISTRATION MAY
4 CANCEL ITS REGISTRATION BY SUBMITTING A WRITTEN REQUEST ON A FORM APPROVED BY
5 THE BOARD. THIS SUBSECTION DOES NOT APPLY IF A COMPLAINT HAS BEEN FILED WITH
6 THE BOARD OR DISCIPLINARY PROCEEDINGS ARE PENDING AGAINST THE FIRM.

7 Sec. 6. Section 32-731, Arizona Revised Statutes, is amended to read:
8 32-731. Certified public accountant partnership; qualifications

9 A. EXCEPT AS PROVIDED IN SECTION 32-725, SUBSECTION G, a partnership
10 engaged in this state in the practice of accounting by certified public
11 accountants shall register biennially with the board as a partnership of
12 certified public accountants and shall meet the following requirements:

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

15 2. At least fifty-one per cent of the ownership of the partnership, in
16 terms of direct and indirect financial interests and voting rights, must
17 belong to holders in good standing of certificates or licenses to practice
18 accounting as certified public accountants in any state or foreign country.
19 Only certified public accountants whose qualifications are considered to be
20 substantially equivalent, as provided by section 32-726, may be considered as
21 meeting the requirement prescribed by this paragraph.

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

25 1. The partnership designates ~~a person~~ AN INDIVIDUAL who is certified
26 pursuant to this chapter and who is responsible for the proper registration
27 of the firm.

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

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

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

34 (ii) The professional services performed constitute the partner's
35 principal occupation.

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

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

42 3. Any partner who is ultimately responsible for supervising attest
43 services in this state or the partner who signs any reports related to
44 restricted financial services on behalf of the partnership in this state
45 shall be certified pursuant to this chapter and shall meet the experience

1 requirements for carrying out these functions adopted by the board in its
2 rules.

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

5 C. Application for registration pursuant to this section shall be made
6 ~~upon~~ ON affidavit of a partner of the partnership who is a certified public
7 accountant in good standing in this state. The board shall in each case
8 determine whether the applicant is eligible for registration. A partnership
9 ~~which~~ THAT is registered pursuant to this section may use the words
10 "certified public accountants" or the abbreviation "C.P.A.'s" or "CPA'S" in
11 connection with its partnership name as provided for by the board in its
12 rules. Partnerships registered pursuant to this chapter may provide
13 restricted financial services. Notification shall be given to the board
14 within one month of the termination of any partnership, or of the admission
15 to or withdrawal of an Arizona partner from any partnership registered
16 pursuant to this section.

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

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

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

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

1 Sec. 7. Section 32-742, Arizona Revised Statutes, is amended to read:
2 32-742. Revocation or suspension of firm's certificate; failure
3 to reinstate

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

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

12 1. The revocation or suspension of any certificate issued by the board
13 of any partner, shareholder, member, manager, officer, director, agent or
14 employee of the firm.

15 2. The cancellation, revocation, suspension or refusal to renew the
16 authority of the firm or any Arizona partner, shareholder, member, manager,
17 officer, director, agent or employee to practice public accounting in any
18 other state for any cause other than failure to pay an annual registration
19 fee in the other state.

20 C. The board shall suspend, without notice or hearing, the
21 registration to practice public accounting of any firm ~~which~~ THAT fails to
22 register and pay the biennial registration fee as required by section 32-730.
23 Terms of a suspension issued under this subsection shall include a provision
24 that the suspension shall be vacated when the registrant has paid all past
25 due fees and penalties. The board may waive the collection of any fee or
26 penalty after suspension under conditions the board deems justifiable. **IF THE**
27 **FIRM FAILS TO REINSTATE ITS REGISTRATION WITHIN TWELVE MONTHS AFTER THE DATE**
28 **OF SUSPENSION, THE REGISTRATION EXPIRES.**

29 Sec. 8. Section 32-747, Arizona Revised Statutes, is amended to read:
30 32-747. Unlawful use of designation or abbreviation;
31 classification

32 A. ~~A person~~ **AN INDIVIDUAL** who has received from the board a
33 certificate to practice as a certified public accountant, ~~or as a public~~
34 accountant issued under the laws of the state **OR WHO IS A LIMITED RECIPROCITY**
35 **PRIVILEGE HOLDER UNDER SECTION 32-725,** shall be known as a "certified public
36 accountant" or "public accountant", in accordance with the certificate **OR THE**
37 **PRIVILEGE** and may also use the abbreviation "C.P.A.", "CPA", "P.A." or "PA",
38 in accordance with the certificate **OR THE PRIVILEGE**. No other ~~person~~
39 **INDIVIDUAL** or firm shall assume or use any title, designation or abbreviation
40 or any other title, designation, sign, card or device **IN THIS STATE** tending
41 to indicate that the ~~person~~ **INDIVIDUAL** or firm using it is authorized to
42 practice public accounting or is a certified public accountant or a public
43 accountant ~~in this state~~.

1 B. No ~~person~~ INDIVIDUAL or firm shall when referring to accounting or
2 accounting practices assume or use the title or designation "chartered
3 accountant", "certified accountant", "enrolled accountant", "registered
4 accountant", "licensed accountant", "certified tax accountant", "certified
5 tax consultant" or any other title or designation likely or intended to be
6 confused with "certified public accountant" or "public accountant" UNLESS THE
7 INDIVIDUAL OR FIRM HAS RECEIVED FROM THE BOARD A CERTIFICATE TO PRACTICE AS A
8 CERTIFIED PUBLIC ACCOUNTANT OR AS A PUBLIC ACCOUNTANT ISSUED UNDER THE LAWS
9 OF THIS STATE, THE INDIVIDUAL IS A LIMITED RECIPROCITY PRIVILEGE HOLDER UNDER
10 SECTION 32-725 OR THE PARTNERSHIP, CORPORATION OR OTHER ENTITY IS PERMITTED
11 TO PRACTICE ACCOUNTING IN THIS STATE PURSUANT TO SECTION 32-725,
12 SUBSECTION G. No ~~person~~ INDIVIDUAL or firm shall assume or use any of the
13 abbreviations "C.A.", "E.A.", "R.A.", "C.T.A.", "C.T.C.", "L.A." or similar
14 abbreviations likely or intended to be confused with "C.P.A.", "CPA", "P.A."
15 or "PA". ~~A person~~ AN INDIVIDUAL WHO IS qualified as a certified public
16 accountant in this state AND who also holds a comparable title under the laws
17 of another country may use the title in conjunction with the title "certified
18 public accountant", "C.P.A." or "CPA", and ~~a person~~ AN INDIVIDUAL enrolled to
19 practice before the internal revenue service and recognized as an enrolled
20 agent may use the abbreviation "E.A.".

21 C. This section does not apply to or affect or limit the right to
22 continuous use of a partnership name, or a modification ~~thereof~~ OF A
23 PARTNERSHIP NAME, by successor firms formed by the remaining partner or
24 partners or added partner or partners even though the ~~persons~~ INDIVIDUALS
25 whose names are included in the partnership name are not partners, but the
26 successor firm shall conform to all other provisions of this chapter. ~~The~~
27 ~~provisions of~~ This section ~~do~~ DOES not apply to or affect or limit the right
28 to continuous use of a professional corporation's name as provided pursuant
29 to this chapter or title 10, chapter 20 or a professional limited liability
30 company's name pursuant to this chapter or title 29, chapter 4.

31 D. No corporation or professional limited liability company shall be
32 permitted to practice public accounting in this state, ~~provided~~ EXCEPT that
33 this subsection ~~shall~~ DOES not apply to a professional corporation
34 incorporated under the laws of this state or to a professional limited
35 liability company, either of which is properly qualified to do business
36 within this state and ~~which~~ is otherwise qualified to practice accounting
37 under ~~the provisions of~~ this chapter.

38 E. If ~~a person~~ AN INDIVIDUAL violates this chapter, or represents
39 himself to the public as having received a certificate or registration to
40 practice after a certificate or registration has been revoked or suspended,
41 the ~~person~~ INDIVIDUAL is guilty of a class 2 misdemeanor unless another
42 classification is specifically prescribed in this chapter. Each day an
43 offense is committed ~~shall constitute~~ CONSTITUTES a separate offense.

1 F. The displaying or uttering by ~~a person~~ AN INDIVIDUAL OR FIRM of any
2 card, sign, advertisement or other printed, engraved or written instrument or
3 device bearing ~~a person's~~ AN INDIVIDUAL'S OR FIRM'S name and intended to be
4 confused with the words "certified public accountant" or "public accountant"
5 or an abbreviation of either shall be prima facie evidence in a prosecution,
6 proceeding or hearing brought under this section that the ~~person~~ INDIVIDUAL
7 OR FIRM whose name is so displayed caused or procured the displaying or
8 uttering of the card, sign, advertisement or other printed, engraved or
9 written instrument or device.

10 Sec. 9. Section 32-747.01, Arizona Revised Statutes, is amended to
11 read:

12 32-747.01. Restricted financial services; requirements

13 ~~A person~~ EXCEPT AS PROVIDED IN SECTION 32-725, SUBSECTION G, AN
14 INDIVIDUAL who holds a certificate issued by the board to practice as a
15 certified public accountant or a public accountant may provide restricted
16 financial services only if the ~~person~~ INDIVIDUAL provides restricted
17 financial services through a firm registered pursuant to this chapter.

18 Sec. 10. State board of accountancy; public member term

19 A. Notwithstanding section 32-702, subsection C, Arizona Revised
20 Statutes, one public member of the state board of accountancy who is
21 appointed pursuant to section 32-702, subsection B, paragraph 2, Arizona
22 Revised Statutes, and whose term ends on July 3, 2009 shall be replaced by a
23 public member serving a three year term. The governor may remove the member
24 for neglect of duty or other just cause. The governor shall fill vacancies
25 by appointment for the unexpired term. The appointee to the three year term
26 pursuant to this subsection is eligible for reappointment for a full term by
27 the governor.

28 B. The governor shall make all subsequent appointments as prescribed
29 by statute.