Conference Engrossed

FILED

JANICE K. BREWER
SECRETARY OF STATE

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

CHAPTER 295

SENATE BILL 1227

AN ACT

AMENDING SECTIONS 32-701, 32-703, 32-721, 32-725, 32-729, 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)

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

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

32-701. Definitions

In this chapter, unless the context otherwise requires:

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

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

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

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

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

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

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

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

(c) Peer review and professional education requirements.

(d) A decree of censure.

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

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

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

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

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

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

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

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

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

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

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

(a) Business administration.

(b) Statistics.

(c) Computer science, information systems or data processing.

(d) Economics.

(e) Finance.

(f) Management.

(g) Business law.

(h) College algebra or more advanced mathematics.

(i) Advanced written communication.

(j) Advanced oral communication.

(k) Ethics.

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

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

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

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

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

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

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

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

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

B. The board may:

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

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

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

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

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

4. Establish basic requirements for continuing professional education of certified public accountants and public accountants, except that the

requirements shall not exceed eighty classroom hours in any registration renewal period.

5. Adopt procedures concerning disciplinary actions, administrative hearings and consent decisions.

6. Issue to qualified applicants certificates executed for and on behalf of the board by the signatures of the president and secretary of the board.

7. Adopt procedures and rules concerning examination and grading the examinations of ~~persons~~ INDIVIDUALS applying for a certificate as required by this chapter.

8. Require peer review pursuant to rules adopted by the board on a general and random basis of the professional work of a registrant engaged in the practice of accounting.

9. Employ an executive director and other personnel that it considers necessary to administer and enforce this chapter.

10. Appoint committees or ~~persons~~ INDIVIDUALS as it considers necessary to advise or assist the board in administering and enforcing this chapter. These committees and ~~persons~~ INDIVIDUALS serve at the pleasure of the board.

11. Take all action that is necessary and proper to effectuate the purposes of this chapter.

12. Sue and be sued in its official name as an agency of this state.

13. Adopt and amend rules concerning the definition of terms, the orderly conduct of the board's affairs and the effective administration of this chapter.

C. The board or an authorized agent of the board may:

1. Issue subpoenas to compel the attendance of witnesses or the production of documents. If a subpoena is disobeyed, the board may invoke the aid of any court in requiring the attendance and testimony of witnesses and the production of documents.

2. Administer oaths and take testimony.

3. Cooperate with the appropriate authorities in other jurisdictions in investigation and enforcement concerning violations of this chapter and comparable statutes of other jurisdictions.

4. Receive evidence concerning all matters within the scope of this chapter.

Sec. 3. Section 32-721, Arizona Revised Statutes, is amended to read:

32-721. <u>Certified public accountants; qualifications</u>

A. The board shall issue a certificate of certified public accountant to any ~~person~~ INDIVIDUAL who:

1. Meets the requirement to take the examination pursuant to section 32-723.

2. Within a period of time prescribed by the rules of the board, has obtained a passing grade in each subject of the examination for certified public accountant in this state, or in any other state, territory or possession of the United States that uses the questions and grading

facilities of the American institute of certified public accountants or any other institution approved by the board.

3. Meets the following character and fitness requirements:

(a) Is at least eighteen years of age.

(b) Is of good moral character.

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

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

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

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

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

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

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

2. Present satisfactory evidence from an accredited institution or a college or university maintaining standards comparable to those of an

accredited institution that the applicant has completed at least one hundred fifty semester hours of education of which:

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

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

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

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

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

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

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

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

32-725. Limited reciprocity privilege; qualifications

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~C. As a condition of exercising the privileges provided by this section, a licensee or registrant of another state who exercises the~~

~~privileges provided by this section agrees and consents, as a registrant for purposes of limited reciprocity, to:~~

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

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

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

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

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

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

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

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

~~1. Expert witness services.~~

~~2. Teaching or lecturing.~~

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

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

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

1. SHALL:

(a) COMPLY WITH ARTICLE 3 OF THIS CHAPTER AND RULES ADOPTED PURSUANT TO ARTICLE 3 OF THIS CHAPTER. IN ANY INVESTIGATION OR OTHER PROCEEDINGS

CONDUCTED PURSUANT TO ARTICLE 3 OF THIS CHAPTER, AN INDIVIDUAL CLAIMING PERMISSION TO PRACTICE AS A CERTIFIED PUBLIC ACCOUNTANT IN THIS STATE UNDER THE LIMITED RECIPROCITY PRIVILEGE HAS THE BURDEN OF DEMONSTRATING THAT THE APPLICABLE REQUIREMENTS OF SUBSECTION B OF THIS SECTION HAVE BEEN SATISFIED.

(b) CEASE THE OFFERING OR PRACTICING OF ACCOUNTING IN PERSON OR BY MAIL, TELEPHONE OR ELECTRONIC MEANS IN THIS STATE IF THE INDIVIDUAL NO LONGER SATISFIES THE REQUIREMENTS OF SUBSECTION B OF THIS SECTION OR THE PARTNERSHIP, CORPORATION OR OTHER ENTITY NO LONGER SATISFIES THE REQUIREMENTS OF SUBSECTION G OF THIS SECTION.

2. IS SUBJECT TO:

(a) THE PERSONAL AND SUBJECT MATTER JURISDICTION OF THE BOARD AND THE POWER OF THE BOARD TO INVESTIGATE COMPLAINTS AND TAKE DISCIPLINARY ACTION.

(b) SERVICE BY EITHER OF THE FOLLOWING:

(i) THE APPOINTMENT OF THE STATE BOARD THAT ISSUED THE REGISTRATION, CERTIFICATE OR LICENSE TO THE INDIVIDUAL AS AGENT, ON WHOM PROCESS MAY BE SERVED IN ANY ACTION OR PROCEEDING AGAINST THE PERSON BY THE BOARD.

(ii) DIRECTLY ON THE PERSON.

F. ANY INDIVIDUAL WHO HOLDS A VALID REGISTRATION, CERTIFICATE OR LICENSE AS A CERTIFIED PUBLIC ACCOUNTANT ISSUED BY ANOTHER STATE OR A FOREIGN COUNTRY, WHOSE PRINCIPAL PLACE OF BUSINESS IS NOT IN THIS STATE AND WHO DOES NOT OTHERWISE QUALIFY UNDER THIS SECTION FOR LIMITED RECIPROCITY PRIVILEGE MAY ENTER THIS STATE AND PROVIDE SERVICES IF THE SERVICES ARE LIMITED TO THE FOLLOWING:

1. EXPERT WITNESS SERVICES.

2. TEACHING OR LECTURING.

3. OTHER SERVICES AS DETERMINED BY THE BOARD.

G. A PARTNERSHIP, CORPORATION OR OTHER ENTITY FORMED UNDER THE LAWS OF ANOTHER STATE RELATING TO THE PRACTICE OF ACCOUNTING IN THAT STATE MAY USE THE TITLE "CERTIFIED PUBLIC ACCOUNTANT" OR "CPA" IN THIS STATE AND MAY ENGAGE IN THE PRACTICE OF ACCOUNTING IN THIS STATE, INCLUDING THE PROVISION OF RESTRICTED FINANCIAL SERVICES, WITHOUT HAVING TO REGISTER AS A FIRM IF ALL OF THE FOLLOWING APPLY:

1. THE PARTNERSHIP, CORPORATION OR OTHER ENTITY IS OWNED BY OR EMPLOYS AN INDIVIDUAL WHO IS A LIMITED RECIPROCITY PRIVILEGE HOLDER PURSUANT TO THIS SECTION.

2. THE PARTNERSHIP, CORPORATION OR OTHER ENTITY IS IN GOOD STANDING IN ITS PRINCIPAL PLACE OF BUSINESS UNDER THE LAWS OF THAT JURISDICTION RELATING TO THE PRACTICE OF ACCOUNTING.

3. THE PRINCIPAL PLACE OF BUSINESS OF THE LIMITED RECIPROCITY PRIVILEGE HOLDER IS A RECOGNIZED PLACE OF BUSINESS FOR THE PRACTICE OF ACCOUNTING BY THE PARTNERSHIP, CORPORATION OR OTHER ENTITY.

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

Sec. 5. Section 32-729, Arizona Revised Statutes, is amended to read:

32-729. Examination fee; certification fee

A. The board shall establish and collect a uniform fee from each applicant for each examination held pursuant to section 32-723 to cover reasonable costs of the examination. No additional fee shall be required from an applicant entitled to a certificate after having successfully passed the examination except as provided in subsection B of this section. If the board refuses to allow an applicant to take the examination, the board shall return to the applicant one-half of the examination fee.

B. The board shall establish and collect a uniform fee from each applicant for a certificate to be issued pursuant to section 32-721~~,~~ OR 32-724 ~~or 32-725~~.

Sec. 6. Section 32-730, Arizona Revised Statutes, is amended to read:

32-730. Biennial registration; continuing education; inactive certificates; cancellation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 7. Section 32-731, Arizona Revised Statutes, is amended to read:

32-731. Certified public accountant partnership; qualifications

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

G. A partnership that fails to comply with this section due to changes in the ownership of the firm or personnel after receiving or renewing the registration must take corrective action to comply with this section as

quickly as possible. The board may grant a reasonable period of time for the firm to take these corrective actions. A failure to comply with these requirements is grounds for suspension or revocation of the partnership registration.

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

32-742. Revocation or suspension of firm's certificate; failure to reinstate

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

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

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

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

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

Sec. 9. Section 32-747, Arizona Revised Statutes, is amended to read:

32-747. Unlawful use of designation or abbreviation; classification

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

practice public accounting or is a certified public accountant or a public accountant ~~in this state~~.

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

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

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

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

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

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

32-747.01. Restricted financial services; requirements

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

Sec. 11. State board of accountancy; public member term

A. One public member of the state board of accountancy who is appointed pursuant to section 32-702, subsection B, paragraph 2, Arizona Revised Statutes, and whose term ends on July 3, 2009 shall be replaced after the end of the term by a public member serving a three year term, notwithstanding the term length prescribed by section 32-702, subsection C, Arizona Revised Statutes. The governor may remove the member for neglect of duty or other just cause. The governor shall fill vacancies by appointment for the unexpired term. The appointee to the three year term pursuant to this subsection is eligible for reappointment for a full term by the governor.

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

APPROVED BY THE GOVERNOR JUNE 27, 2008.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 27, 2008.