

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 87th General Assembly  
3 Regular Session, 2009

# A Bill

SENATE BILL 133

4  
5 By: Senator T. Smith  
6 By: Representatives Patterson, Wells

## For An Act To Be Entitled

7  
8  
9  
10 AN ACT TO AMEND THE PUBLIC ACCOUNTANCY ACT OF  
11 1975; AND FOR OTHER PURPOSES.

## Subtitle

12  
13  
14 TO AMEND THE PUBLIC ACCOUNTANCY ACT OF  
15 1975.

16  
17  
18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

19  
20 SECTION 1. Arkansas Code § 17-12-103 is amended to read as follows:  
21 17-12-103. Definitions.

22 (a) As used in this chapter:

23 (1) "AICPA" means the American Institute of Certified Public  
24 Accountants, or its successor;

25 (2) "Attest" means providing the following financial statement  
26 services:

27 (A) ~~Any~~ An audit or other engagement to be performed in  
28 accordance with the "Statements on Auditing Standards";

29 (B) ~~Any~~ A review of a financial statement to be performed  
30 in accordance with the "Statements on Standards for Accounting and Review  
31 Services"; ~~and~~

32 (C) ~~Any~~ An examination of prospective financial  
33 information to be performed in accordance with the "Statements on Standards  
34 for Attestation Engagements"; and

35 (D) An engagement to be performed in accordance with PCAOB  
36 standards.



1           (3) “Beneficial owner” means an individual who is the grantor  
2 and sole trustee of a revocable trust ~~wherein~~ in which the individual  
3 reserves the unrestricted right to revoke the trust;

4           (4) “Board” means the Arkansas State Board of Public Accountancy  
5 created by § 17-12-201;

6           (5) “Certificate” means a certificate as “certified public  
7 accountant” issued under § 17-12-301 or a corresponding certificate as  
8 “certified public accountant” issued after examination under the laws of any  
9 other state;

10           (6) “Compilation” means providing a service to be performed in  
11 accordance with “Statements on Standards for Accounting and Review Services”  
12 and presenting in the form of financial statements information that is the  
13 representation of management and/or owners without undertaking to express any  
14 assurance on the financial statements.

15           ~~(6)~~(7) “Conviction” means all instances in a criminal case in  
16 which a defendant has been found guilty or pleads guilty or nolo contendere  
17 regardless of whether:

18                   (A) Sentencing or imposition of sentencing has been  
19 deferred or suspended; or

20                   (B) The adjudication of guilt or the sentence is withheld  
21 by the court;

22           ~~(7)~~(8) “Firm” means a partnership, corporation, limited  
23 liability company, sole proprietorship, or other entity required to be  
24 registered with the board under the provisions of § 17-12-401 et seq.;

25           ~~(8)~~(9) “License” means a certificate issued under § 17-12-301 or  
26 a registration under § 17-12-312 or § 17-12-401 et seq. or, in each case, a  
27 certificate or permit issued or a registration under corresponding provisions  
28 of prior law;

29           ~~(9)~~(10) “Licensee” means the holder of a license as defined in  
30 this section;

31           ~~(10)~~(11) “Member” means either:

32                   (A) The person in whose name membership interests are  
33 registered in the records of a limited liability company; or

34                   (B) The beneficial owner of membership interests of a  
35 revocable living trust where the membership interests are registered in the  
36 records of the limited liability company in the name of the revocable living

1 trust;

2 ~~(11)~~(12) "NASBA" means the National Association of State Boards  
3 of Accountancy, or its successor;

4 (13) "PCAOB" means the Public Company Accounting Oversight  
5 Board, or its successor;

6 ~~(12)~~(14) "Practice of public accounting" means the performance  
7 of attest services as defined in this section or the performance of  
8 professional services while using the title or designation certified public  
9 accountant, public accountant, CPA, PA, accountant, or auditor;

10 ~~(13)~~(15) "Professional services" means services arising out of  
11 or related to the specialized knowledge or skills performed by certified  
12 public accountants or public accountants;

13 ~~(14)~~(16) "Shareholder" means either:

14 (A) The person in whose name shares are registered in the  
15 records of a corporation; or

16 (B) The beneficial owner of shares of a revocable living  
17 trust where the shares are registered in the records of the corporation in  
18 the name of the revocable living trust; and

19 ~~(15)~~(17) "State" means any state, territory, or insular  
20 possession of the United States or the District of Columbia.

21 (b) The statements on standards specified in subdivision (a)(2) of  
22 this section shall be:

23 (1) adopted ~~Adopted~~ by reference by rule of the board ~~pursuant to~~  
24 ~~rulemaking, and shall be~~

25 (2) those ~~Those~~ developed for general application by recognized national  
26 accountancy organizations such as the American Institute of Certified Public  
27 Accountants.

28  
29 SECTION 2. Arkansas Code § 17-12-106(b), concerning the unlawful use  
30 of the certified public accountant designation, is amended to read as  
31 follows:

32 (b) No firm shall assume or use the title or designation "certified  
33 public accountant" or the abbreviation "CPA" or any other title, designation,  
34 words, letters, abbreviation, sign, card, or device tending to indicate that  
35 the firm is composed of certified public accountants unless the firm is  
36 currently registered under ~~§ 17-12-401~~ § 17-12-401(a)(1) and all offices of

1 the firm in this state for the practice of public accounting are currently  
 2 maintained and registered as required under § 17-12-403.

3  
 4 SECTION 3. Arkansas Code § 17-12-106(i)(1), concerning the unlicensed  
 5 use of the term "accountant" or "auditor", is amended to read as follows:

6 (i)(1) No person not currently licensed pursuant to  
 7 § 17-12-301 et seq., and no firm not currently ~~licensed~~ registered pursuant  
 8 to § 17-12-401 et seq., shall hold himself or herself or itself out to the  
 9 public as an "accountant" or "auditor" by use of either or both of such words  
 10 on any sign, card, electronic transmission, or letterhead or in any  
 11 advertisement or directory without indicating thereon or therein that the  
 12 person or firm does not hold such a license.

13  
 14 SECTION 4. Arkansas Code § 17-12-106(k), concerning a licensee's  
 15 recommendation or referral for a commission, is amended to read as follows:

16 (k)(1)(A) A licensee shall not for a commission recommend or refer to  
 17 a client ~~any~~ a product or service, or for a commission recommend or refer ~~any~~  
 18 a product or service to be supplied by a client, or receive a commission when  
 19 the licensee or the licensee's firm also performs for that client:

20 (i) An audit or review of a financial statement;

21 (ii) A compilation of a financial statement when the  
 22 licensee expects, or reasonably might expect, that a third party will use the  
 23 financial statement and the licensee's compilation report does not disclose a  
 24 lack of independence; ~~or~~

25 (iii) An examination of prospective financial  
 26 information; ~~or~~ or

27 (iv) An engagement to be performed in accordance  
 28 with PCAOB standards.

29 (B) This prohibition applies during the period in which  
 30 the licensee is engaged to perform any of the services listed in subdivision  
 31 (k)(1)(A) of this section and the period covered by any historical financial  
 32 statements involved in such listed services.

33 (2) A licensee who is not prohibited by this section from  
 34 performing services for or receiving a commission and who is paid or expects  
 35 to be paid a commission shall disclose that fact to ~~any~~ a person or entity to  
 36 whom the licensee recommends or refers a product for service to which the

1 commission relates.

2 (3) ~~Any~~ A licensee who accepts a referral fee for recommending  
3 or referring any service of a licensee to ~~any~~ a person or entity or who pays  
4 a referral fee to obtain a client shall disclose the acceptance or payment to  
5 the client.

6

7 SECTION 5. Arkansas Code § 17-12-106(1), concerning contingent fees of  
8 a licensee, is amended to read as follows:

9 (1)(1) A licensee shall not:

10 (A) Perform for a contingent fee any professional services  
11 for or receive such a fee from a client for whom the licensee or the  
12 licensee's firm performs:

13 (i) An audit or review of a financial statement;

14 (ii) A compilation of a financial statement when the  
15 licensee expects, or reasonably might expect, that a third party will use the  
16 financial statement and the licensee's compilation report does not disclose a  
17 lack of independence; ~~or~~

18 (iii) An examination of prospective financial  
19 information; or

20 (iv) An engagement to be performed in accordance  
21 with PCAOB standards; or

22 (B) Prepare an original or amended tax return or claim for  
23 a tax refund for a contingent fee for ~~any~~ a client.

24 (2) The prohibition in subdivision (1)(1) of this section  
25 applies during the period in which the licensee is engaged to perform any of  
26 the services listed in subdivision (1)(1) of this section and the period  
27 covered by any historical financial statements involved in any such listed  
28 services.

29 (3)(A) Except as stated in subdivision (1)(3)(B) of this  
30 section, a contingent fee is a fee established for the performance of any  
31 service pursuant to an arrangement in which no fee will be charged unless a  
32 specified finding or result is attained or in which the amount of the fee is  
33 otherwise dependent upon the finding or result of the service.

34 (B) Solely for purposes of this section, fees are not  
35 regarded as being contingent if fixed by courts or other public authorities  
36 or, in tax matters, if determined based on the results of judicial

1 proceedings or the findings of governmental agencies.

2 (C) A licensee's fees may vary depending, for example, on  
3 the complexity of services rendered.

4  
5 SECTION 6. Arkansas Code § 17-12-106 is amended to add additional  
6 subsections to read as follows:

7 (m) A firm that is not registered under § 17-12-401 and does not have  
8 an office in this state to provide professional services in this state does  
9 not violate this section if the firm complies with § 17-12-401(b)(2) or § 17-  
10 12-401(b)(3).

11 (n) For purposes of this section:

12 (1) "Licensee" includes an individual using practice privileges  
13 under § 17-12-311 on an equal basis; and

14 (2) A reference to a firm registered under § 17-12-401 et seq.  
15 includes a firm exempt from registration and practicing under §§ 17-12-  
16 401(b)(2) and 17-12-401(b)(3).

17  
18 SECTION 7. Arkansas Code § 17-12-311 is amended to read as follows:  
19 17-12-311. Substantial equivalency.

20 (a)(1) An individual whose principal place of business is not in this  
21 state and who holds ~~having~~ a valid ~~certificate or~~ license as a certified  
22 public accountant from ~~any~~ a state which the NASBA National Qualification  
23 Appraisal Service has verified to be in substantial equivalence with the CPA  
24 licensure requirements of the AICPA/NASBA Uniform Accountancy Act;

25 (A) shall ~~shall~~ be presumed to have qualifications  
26 substantially equivalent to this state's requirements; ~~and~~

27 (B) shall ~~shall~~ have all the privileges of ~~certificate~~  
28 ~~holders and~~ licensees of this state without the need to obtain a certificate  
29 under § 17-12-301 or § 17-12-308 or a license under § 17-12-313 or § 17-12-  
30 501; and ~~However, such an individual shall notify the Arkansas State Board of~~  
31 ~~Public Accountancy of his or her intent to practice in this state under this~~  
32 ~~provision. The board may charge a fee for such a notification in an amount to~~  
33 ~~be determined by board rule. Any such individual having a valid certificate~~  
34 ~~or license as a certified public accountant from a state other than Arkansas~~  
35 ~~at the time the state receives its notice of substantial equivalency from the~~  
36 ~~National Association of State Boards of Accountancy shall be eligible to~~

1 ~~exercise the privileges granted under this subdivision (a)(1).~~

2 (C) May offer or render professional services in person,  
 3 by mail, by telephone, or by electronic means without notifying the Arkansas  
 4 State Board of Public Accountancy or paying a fee.

5 (2)(A) An individual whose principal place of business is not in  
 6 this state and who holds ~~having~~ a valid ~~certificate or~~ license as a certified  
 7 public accountant from ~~any~~ a state which the NASBA National Qualification  
 8 Appraisal Service has not verified to be in substantial equivalence with the  
 9 CPA licensure requirements of the AICPA/NASBA Uniform Accountancy Act;

10 (i) shall ~~Shall~~ be presumed to have qualifications  
 11 substantially equivalent to ~~this state's requirements~~ the requirements of  
 12 this state;

13 (ii) and shall ~~Shall~~ have all the privileges of  
 14 ~~certificate holders and~~ licensees of this state without the need to obtain a  
 15 certificate under § 17-12-301 or § 17-12-308 or a license under § 17-12-313  
 16 or § 17-12-501 if ~~such an~~ the individual obtains from the NASBA National  
 17 Qualification Appraisal Service verification that the individual's CPA  
 18 qualifications are substantially equivalent to the CPA licensure requirements  
 19 of the AICPA/NASBA Uniform Accountancy Act; and

20 (iii) May offer or render professional services,  
 21 whether in person, by mail, by telephone, or by electronic means without  
 22 notifying the board or paying a fee. ~~However, the individual shall notify~~  
 23 ~~the board of his or her intent to practice in this state under this~~  
 24 ~~provision. The board may charge a fee for such notification in an amount to~~  
 25 ~~be determined by board rule.~~

26 (B) An individual who passed the Uniform CPA Examination  
 27 and holds a valid license issued by any other state prior to January 1, 2012,  
 28 may be exempt from the education requirement in § 17-12-302 for purposes of  
 29 this subdivision (a)(2).

30 (3) ~~Any~~ An individual licensee of another state exercising the  
 31 privilege afforded under this section and the firm which employs that  
 32 individual licensee hereby consents ~~consent and agree,~~ as a condition of the  
 33 ~~grant~~ exercise of this privilege to:

34 (A) ~~To the~~ The personal and subject matter jurisdiction  
 35 and disciplinary authority of the board;

36 (B) ~~To comply~~ Comply with this chapter and the board's

1 rules; ~~and~~

2 (C) Cease offering or rendering professional services in  
 3 this state individually and on behalf of a firm if the license from the state  
 4 of the individual's principal place of business is no longer valid; and

5 ~~(C)(D) To the~~ The appointment of the board ~~which that~~  
 6 issued his or her license as his or her agent upon whom process may be served  
 7 in ~~any an~~ an action or proceeding by ~~this board~~ the Arkansas State Board of  
 8 Public Accountancy against the licensee.

9 (4) An individual who qualifies for practice privileges under  
 10 this section may perform the following services for a client with its home  
 11 office in this state only through a firm that has registered under § 17-12-  
 12 401:

13 (A) A financial statement audit or other engagement to be  
 14 performed in accordance with the "Statements on Auditing Standards";

15 (B) An examination of prospective financial information to  
 16 be performed in accordance with "Statements on Standards for Attestation  
 17 Engagements"; or

18 (C) An engagement to be performed in accordance with PCAOB  
 19 standards.

20 (b) A licensee of this state offering or rendering services or using  
 21 his or her CPA title in another state shall be subject to disciplinary action  
 22 in this state for an act committed in another state for which the licensee  
 23 would be subject to discipline for an act committed in the other state.

24 (c) The board may investigate any complaint made by the board of  
 25 accountancy of another state.

26  
 27 SECTION 8. Arkansas Code § 17-12-401 is amended to read as follows:

28 17-12-401. Professional partnerships, corporations, ~~and~~ limited  
 29 liability companies, and sole proprietorships of certified public  
 30 accountants.

31 (a) The board shall grant or renew a registration as a CPA firm to an  
 32 applicant that meets the qualifications of this section.

33 (b)(1) A firm shall hold a registration under this section if the  
 34 firm:

35 (A) Has an office in this state:

36 (i) Engaged in the practice of public accounting; or



1                   (ii) That uses the title "CPA" or "CPA firm"; or  
 2                   (B) Does not have an office in this state but performs  
 3 attest services described in § 17-12-103(a)(2)(A), § 17-12-103(a)(2)(C), or §  
 4 17-12-103(a)(2)(D) for a client having its home office in this state.

5                   (2) A firm that does not have an office in this state may  
 6 perform services under § 17-12-103(a)(2)(B) or § 17-12-103(a)(6) for a client  
 7 having its home office in this state and may use the title "CPA" or CPA firm"  
 8 without registering under this section only if the firm:

9                   (A) Meets the applicable qualifications of this section  
 10 and § 17-12-507; and

11                   (B) Performs the services through an individual with  
 12 practice privileges under § 17-12-311.

13                   (3) A firm that is not subject to the requirements of  
 14 subdivision (b)(1)(B) or subdivision (b)(2) of this section may perform other  
 15 professional services while using the title "CPA" or "CPA firm" in this state  
 16 without registering under this section only if the firm:

17                   (A) Performs the services through an individual with  
 18 practice privileges under § 17-12-311; and

19                   (B) Can lawfully perform the services in the state where  
 20 the individuals with practice privileges have their principal place of  
 21 business.

22                   ~~(a)~~(c) If required to register under subdivision (b)(1)(A) of this  
 23 section:

24                   (1) A partnership engaged in this state in the practice of  
 25 public accounting shall register with the Arkansas State Board of Public  
 26 Accountancy as a partnership of certified public accountants, ~~provided it~~  
 27 ~~meets~~ and meet the following requirements:

28                   ~~(1)~~(A) At least one (1) general partner ~~must~~ shall be a  
 29 certified public accountant of this state in good standing; and

30                   ~~(2)~~(B) Each resident manager in charge of an office of the  
 31 partnership in this state ~~must~~ shall be a certified public accountant of this  
 32 state in good standing;

33                   ~~(b)~~(2) A corporation engaged in this state in the practice of  
 34 public accounting shall register with the board as a corporation of certified  
 35 public accountants, ~~provided it meets~~ and meet the following requirements:

36                   ~~(1)~~(A) Any officer or director of the corporation having

1 authority over the practice of public accounting by the corporation in this  
 2 state ~~must~~ shall be a certified public accountant of some state in good  
 3 standing;

4 ~~(2)(B)~~ At least one (1) shareholder of the corporation  
 5 ~~must~~ shall be a certified public accountant of this state in good standing;

6 ~~(3)(C)~~ Each resident manager in charge of an office of the  
 7 corporation in this state ~~must~~ shall be a certified public accountant of this  
 8 state in good standing; and

9 ~~(4)(D)~~ The corporation ~~must~~ shall be in compliance with  
 10 other regulations pertaining to corporations practicing public accounting in  
 11 this state that the board may prescribe-;

12 ~~(e)(3)~~ A limited liability company engaged in this state in the  
 13 practice of public accounting shall register with the board as a limited  
 14 liability company of certified public accountants, ~~provided it meets~~ and meet  
 15 the following requirements:

16 ~~(1)(A)~~ Any manager, member, officer, or director of the  
 17 limited liability company having authority over the practice of public  
 18 accounting by the limited liability company in this state ~~must~~ shall be a  
 19 certified public accountant of some state in good standing;

20 ~~(2)(B)~~ At least one (1) member of the limited liability  
 21 company ~~must~~ shall be a certified public accountant of this state in good  
 22 standing;

23 ~~(3)(C)~~ Each resident manager in charge of an office of the  
 24 limited liability company in this state ~~must~~ shall be a certified public  
 25 accountant of this state in good standing; and

26 ~~(4)(D)~~ The limited liability company ~~must~~ shall be in  
 27 compliance with other regulations pertaining to limited liability companies  
 28 practicing public accounting in this state that the board may prescribe-; and

29 (4) A certified public accountant operating as a sole  
 30 proprietorship and engaged in this state in the practice of public accounting  
 31 shall register with the board as a sole proprietor if registration is  
 32 required under subdivision (b)(1) of this section and shall comply with the  
 33 requirements of § 17-12-403.

34 (d)(1) Application for registration ~~must~~ shall be made upon the  
 35 affidavit of a general partner, shareholder, or member who is a certified  
 36 public accountant of this state in good standing or, if registration is

1 required under subdivision (b)(1)(B) of this section, a licensee of another  
 2 state who meets the requirements set forth in § 17-12-311.

3 (2) An individual who has practice privileges under § 17-12-311  
 4 and performs services for which registration is required under § 17-12-  
 5 311(a)(4) shall not be required to obtain a license from this state under §  
 6 17-12-301.

7 (e) The board shall in each case determine whether the applicant is  
 8 eligible for registration.

9 ~~(f) A firm which is so registered may use the words “certified public~~  
 10 ~~accountants” or the abbreviation “CPAs” in connection with its partnership,~~  
 11 ~~corporate, or limited liability company name.~~

12 ~~(g)~~(f) Notification shall be given to the board within one (1) month  
 13 after the admission or withdrawal of a partner, shareholder, or member from  
 14 any firm so registered.

15 ~~(h)~~(g) Any firm registered ~~pursuant to~~ under this section may include  
 16 non-licensee owners or public accountants who hold a valid license under §  
 17 17-12-312, provided that:

18 (1) A majority of the ownership of the firm in terms of  
 19 financial interests and voting rights of all partners, officers, directors,  
 20 shareholders, members, or managers belongs to holders of certificates who are  
 21 licensed in some state, and such partners, officers, directors, shareholders,  
 22 members, or managers whose principal place of business is in this state and  
 23 who perform professional services in this state hold a valid certificate  
 24 issued under § 17-12-301 et seq. or the corresponding provisions of prior  
 25 law;

26 (2) The firm designates a licensee of this state or, in the case  
 27 of a firm that must be registered under subdivision (b)(1)(B) of this  
 28 section, a licensee of another state who meets the requirements of § 17-12-  
 29 311, who is responsible for the proper registration of the firm and  
 30 identifies that individual to the board;

31 (3) All nonlicensee owners are active individual participants in  
 32 the firm or other entities affiliated with the firm; and

33 (4) The firm complies with such other requirements as the board  
 34 may impose by rule.

35 ~~(i)(1)(A) Any partnership, corporation, or limited liability company~~  
 36 ~~licensed to practice public accountancy by another state which is in good~~

1 ~~standing and is determined to be in substantial compliance with the~~  
 2 ~~AICPA/NASBA Uniform Accountancy Act but does not have at least one (1)~~  
 3 ~~general partner, shareholder, or member who is a certified public accountant~~  
 4 ~~of this state in good standing, may apply for registration under this section~~  
 5 ~~contemporaneously with an application by a general partner, shareholder, or~~  
 6 ~~member to be licensed as a certified public accountant in this state.~~

7 ~~(2) The application for registration of the firm shall be~~  
 8 ~~upon the affidavit of the applicant to be licensed as a certified public~~  
 9 ~~accountant of this state.~~

10 ~~(2)(A) Upon review and a preliminary determination that the~~  
 11 ~~applicant qualifies for registration as a certified public accountant firm~~  
 12 ~~under this section, except that the firm does not have at least one (1)~~  
 13 ~~general partner, shareholder, or member who is a certified public accountant~~  
 14 ~~of this state, the board shall notify the applicant in writing of receipt of~~  
 15 ~~its application and that the applicant shall have the privilege to practice~~  
 16 ~~public accountancy in this state for a period of ninety (90) days in order to~~  
 17 ~~permit the general partner, shareholder, or member to complete the~~  
 18 ~~application process.~~

19 ~~(B) The board may extend the ninety day practice privilege~~  
 20 ~~period for one (1) additional thirty day period upon the applicant's written~~  
 21 ~~request and demonstration that the failure of the general partner,~~  
 22 ~~shareholder, or member to complete the application process is beyond the~~  
 23 ~~control of the applicant firm and certified public accountant.~~

24 ~~(3) The fees paid to apply for registration of the applicant~~  
 25 ~~firm and licensure of the general partner, shareholder, or member for~~  
 26 ~~registration shall not be refundable.~~

27 ~~(4) While exercising the practice privilege during the~~  
 28 ~~application process, each applicant shall comply with this chapter and board~~  
 29 ~~rules, and each applicant firm, general partner, shareholder, and member~~  
 30 ~~shall be subject to the provisions of § 17-12-601 et seq.~~

31  
 32 SECTION 9. Arkansas Code § 17-12-402 is amended to read as follows:

33 17-12-402. Professional partnerships, corporations, sole  
 34 proprietorships, and limited liability companies of public accountants.

35 (a) A partnership engaged in this state in the practice of public  
 36 accounting shall register with the Arkansas State Board of Public Accountancy

1 as a partnership of public accountants, provided it meets the following  
2 requirements:

3 (1) At least one (1) general partner ~~must~~ shall be a certified  
4 public accountant or a public accountant of this state in good standing; and

5 (2) Each resident manager in charge of an office of the  
6 partnership in this state ~~must~~ shall be a certified public accountant or a  
7 public accountant of this state in good standing.

8 (b) A corporation engaged in this state in the practice of public  
9 accounting shall register with the board as a corporation of public  
10 accountants, provided it meets the following requirements:

11 (1) ~~Any~~ An officer or director of the corporation having  
12 authority over the practice of public accounting by the corporation ~~must~~  
13 shall be a certified public accountant or a public accountant of this state  
14 in good standing;

15 (2) Each resident manager in charge of an office of the  
16 corporation in this state ~~must~~ shall be a certified public accountant or a  
17 public accountant of this state in good standing; and

18 (3) The corporation ~~must~~ shall be in compliance with other  
19 regulations pertaining to corporations practicing public accounting in this  
20 state that the board may prescribe.

21 (c) A limited liability company engaged in this state in the practice  
22 of public accounting shall register with the board as a limited liability  
23 company of public accountants, provided it meets the following requirements:

24 (1) Any manager, member, officer, or director of the limited  
25 liability company having authority over the practice of public accounting by  
26 the limited liability company ~~must~~ shall be a public accountant or certified  
27 public accountant of this state in good standing;

28 (2) Each resident manager in charge of an office of the limited  
29 liability company ~~must~~ shall be a certified public accountant or a public  
30 accountant of this state in good standing; and

31 (3) The limited liability company ~~must~~ shall be in compliance  
32 with other regulations pertaining to the limited liability companies  
33 practicing public accounting in this state that the board may prescribe.

34 (d) A public accountant operating as a sole proprietorship and engaged  
35 in this state in the practice of public accounting shall:

36 (1) Register with the board as a sole proprietor; and

1                   (2) Comply with the requirements of § 17-12-403.

2           ~~(d)~~(e) Applications for registration ~~must~~ shall be made upon the  
3 affidavit of a general partner, shareholder, or member who is licensed in  
4 this state as a certified public accountant or as a public accountant.

5           ~~(e)~~(f) The board shall in each case determine whether the applicant is  
6 eligible for registration.

7           ~~(f)~~(g) A firm which is so registered may use the words “public  
8 accountants” in connection with its firm.

9           ~~(g)~~(h) Notification shall be given to the board within one (1) month  
10 after the admission to or withdrawal of a partner, shareholder, or member  
11 from any partnership, corporation, or limited liability company so  
12 registered.

13           ~~(h)~~(i) ~~Any~~ A firm registered pursuant to this section may include  
14 nonlicensee owners, provided that:

15                   (1) A majority of the ownership of the firm in terms of  
16 financial interests and voting rights of all partners, officers, directors,  
17 shareholders, members, or managers belongs to licensees of this state;

18                   (2) The firm designates a licensee of this state who is  
19 responsible for the proper registration of the firm and identifies that  
20 individual to the board;

21                   (3) All nonlicensee owners are active individual participants in  
22 the firm; and

23                   (4) The firm complies with such other requirements as the board  
24 may impose by rule.

25  
26           SECTION 10. Arkansas Code § 17-12-602(a), concerning sanctions, is  
27 amended to read as follows:

28           (a) If a licensee or holder of a practice privilege under ~~§ 17-12-~~  
29 ~~401(i)~~ § 17-12-311 is found to have committed ~~any~~ an action or omission  
30 identified in § 17-12-601, the Arkansas State Board of Public Accountancy may  
31 impose any one (1) or more of the following sanctions:

32                   (1) Suspension, revocation, or denial of his or her license or  
33 practice privilege or the renewal thereof;

34                   (2) A penalty not to exceed one thousand dollars (\$1,000) for  
35 each violation;

36                   (3) Completion of appropriate education programs or courses;

1                   (4) Preissuance review of audits, review reports, or  
2 compilations;

3                   (5) Quality review conducted in such a manner as the board may  
4 specify;

5                   (6) Successful completion of the licensing examination;

6                   (7) Conditions or restrictions upon the license, registration,  
7 or practice privilege; and

8                   (8) ~~Any~~ All other requirements or penalties the board finds  
9 appropriate to the circumstances of the case and which would achieve the  
10 desired disciplinary purposes but which would not impair the public welfare  
11 and morals.

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