

1-1 By: Flores (Senate Sponsor - Williams) H.B. No. 2144  
1-2 (In the Senate - Received from the House April 26, 2007;  
1-3 April 27, 2007, read first time and referred to Committee on  
1-4 Business and Commerce; May 10, 2007, reported adversely, with  
1-5 favorable Committee Substitute by the following vote: Yeas 7,  
1-6 Nays 0; May 10, 2007, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 2144 By: Estes

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to the regulation of the practice of public accountancy by  
1-11 certain out-of-state license holders.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Sections 901.002(a)(4) and (5), Occupations  
1-14 Code, are amended to read as follows:

1-15 (4) "Certified public accountant" means a person who  
1-16 holds a certificate issued under this chapter or who practices in  
1-17 this state under Section 901.462.

1-18 (5) "Certified public accountancy firm" means a person  
1-19 who holds a firm license or a firm that practices in this state  
1-20 under Section 901.461.

1-21 SECTION 2. Section 901.251(a), Occupations Code, is amended  
1-22 to read as follows:

1-23 (a) A person who is an individual may not engage in the  
1-24 practice of public accountancy unless the person holds a  
1-25 certificate issued under this chapter or practices in this state  
1-26 under a privilege under Section 901.462.

1-27 SECTION 3. Section 901.351, Occupations Code, is amended by  
1-28 amending Subsections (a) and (b) and adding Subsection (a-1) to  
1-29 read as follows:

1-30 (a) A firm may not provide attest services or use the title  
1-31 "CPA's," "CPA Firm," "Certified Public Accountants," "Certified  
1-32 Public Accounting Firm," or "Auditing Firm" or a variation of one of  
1-33 those titles unless the firm holds a firm license issued under this  
1-34 subchapter or practices in this state under a privilege under  
1-35 Section 901.461.

1-36 (a-1) A firm is required to hold a firm license under this  
1-37 subchapter if the firm:

1-38 (1) establishes or maintains an office in this state;  
1-39 or

1-40 (2) performs for an entity with its principal office  
1-41 in this state:

1-42 (A) a financial statement audit or other  
1-43 engagement that is to be performed in accordance with the  
1-44 Statements on Auditing Standards;

1-45 (B) an examination of prospective financial  
1-46 information that is to be performed in accordance with the  
1-47 Statements on Standards for Attestation Engagements; or

1-48 (C) an engagement that is to be performed in  
1-49 accordance with auditing standards of the Public Company Accounting  
1-50 Oversight Board or its successor.

1-51 (b) The board shall grant or renew a firm license to  
1-52 practice as a certified public accountancy firm to:

1-53 (1) a firm that applies and demonstrates the necessary  
1-54 qualifications in accordance with this subchapter; or

1-55 (2) a firm originally licensed as a certified public  
1-56 accountancy firm in another state that:

1-57 (A) is required to hold a firm license under  
1-58 Subsection (a-1) [~~establishes an office in this state~~]; and

1-59 (B) demonstrates the necessary qualifications in  
1-60 accordance with this subchapter.

1-61 SECTION 4. Sections 901.354(b), (f), and (g), Occupations  
1-62 Code, are amended to read as follows:

1-63 (b) A certified public accountancy firm may include

2-1 individuals as owners who are not license holders if:

2-2 (1) the firm designates to the board as responsible  
2-3 for the firm's license and the supervision of the firm:

2-4 (A) a license holder who resides in this state;  
2-5 or

2-6 (B) if the firm is required under Section  
2-7 901.351(a-1)(2) to hold a firm license, an individual practicing  
2-8 under a privilege under Section 901.462 [~~to be responsible for the~~  
2-9 ~~firm's firm license and the supervision of the firm~~];

2-10 (2) each owner who is not a license holder and who is a  
2-11 resident of this state as determined by board rule:

2-12 (A) is actively involved in the firm or an  
2-13 affiliated entity;

2-14 (B) is of good moral character as demonstrated by  
2-15 a lack of history of dishonest or felonious acts;

2-16 (C) holds a baccalaureate or graduate degree  
2-17 conferred by a college or university acceptable to the board or  
2-18 equivalent education as determined by the board;

2-19 (D) maintains any professional designation held  
2-20 by the individual in good standing with the appropriate  
2-21 organization or regulatory body that is identified or used in an  
2-22 advertisement, letterhead, business card, or other firm-related  
2-23 communication;

2-24 (E) has passed an examination on the rules of  
2-25 professional conduct as determined by board rule;

2-26 (F) complies with the rules of professional  
2-27 conduct as determined by board rule; and

2-28 (G) maintains professional continuing education  
2-29 applicable to license holders as required by board rule; and

2-30 (3) the firm and the owners who are not license holders  
2-31 comply with board disciplinary actions and other requirements the  
2-32 board may impose by rule.

2-33 (f) An applicant for issuance or renewal of a firm license  
2-34 under this section must register each office of the firm in this  
2-35 state and show that all attest services performed in this state and  
2-36 each office in this state are under the supervision of a person who  
2-37 holds a certificate issued under this chapter or by another state.

2-38 (g) An application for a firm license under this chapter  
2-39 must be made on an affidavit of the owner, an officer, or the  
2-40 general partner of the firm, as applicable, stating:

2-41 (1) the name of the firm;

2-42 (2) the firm's post office address in this state if the  
2-43 firm has an office in this state;

2-44 (3) the address of the firm's principal office;

2-45 (4) the address of each office of the firm in this  
2-46 state if the firm has an office in this state;

2-47 (5) the name of the resident manager of each office of  
2-48 the firm in this state; and

2-49 (6) the name, residence, and post office address of:

2-50 (A) each partner, member, shareholder, or other  
2-51 owner; and

2-52 (B) if the firm is a partnership, each  
2-53 shareholder of a partner that is a professional corporation.

2-54 SECTION 5. Section 901.401(b), Occupations Code, is amended  
2-55 to read as follows:

2-56 (b) Each office in this state of a certified public  
2-57 accountancy firm or a firm of public accountants must hold a license  
2-58 issued under this chapter.

2-59 SECTION 6. Section 901.405(f), Occupations Code, is amended  
2-60 to read as follows:

2-61 (f) A person who was licensed in this state, moved to  
2-62 another state, and is currently licensed and has been in practice in  
2-63 the other state for the two years preceding the date of application  
2-64 may obtain a new license without reexamination. A [The] person  
2-65 described by this subsection whose license has been revoked under  
2-66 Section 901.502(3) or (4) may obtain a new license under this  
2-67 subsection. A person described by this subsection must pay to the  
2-68 board a fee that is equal to two times the normally required renewal  
2-69 fee for the license and is not subject to additional fees under

3-1 Section 901.408.  
 3-2 SECTION 7. Section 901.408(a), Occupations Code, is amended  
 3-3 to read as follows:  
 3-4 (a) A person, other than a person described by Section  
 3-5 901.405(f), who fails to pay the license renewal fee or the  
 3-6 additional fee imposed under Section 901.407, as applicable, and  
 3-7 any late fee before the first anniversary of the due date of the  
 3-8 renewal fee or additional fee may renew the person's license only by  
 3-9 submitting to the board an application for renewal accompanied by  
 3-10 payment of:  
 3-11 (1) all accrued fees, including late fees; and  
 3-12 (2) the direct administrative costs incurred by the  
 3-13 board in renewing the person's license.  
 3-14 SECTION 8. The heading to Subchapter J, Chapter 901,  
 3-15 Occupations Code, is amended to read as follows:  
 3-16 SUBCHAPTER J. PRACTICE OF PUBLIC ACCOUNTANCY [~~BY LICENSE HOLDER~~]  
 3-17 SECTION 9. Section 901.451(b), Occupations Code, is amended  
 3-18 to read as follows:  
 3-19 (b) A person may not provide attest services or assume or  
 3-20 use the title "certified public accountants," the abbreviation  
 3-21 "CPAs," or any other title, designation, word, letter,  
 3-22 abbreviation, sign, card, or device tending to indicate that the  
 3-23 person is a certified public accountancy firm unless:  
 3-24 (1) the person holds a firm license issued under this  
 3-25 chapter or practices in this state under a privilege under Section  
 3-26 901.461;  
 3-27 (2) ownership of the person complies with the  
 3-28 requirements of this chapter and rules adopted by the board; and  
 3-29 (3) the person complies with board rules authorizing  
 3-30 the practice.  
 3-31 SECTION 10. Section 901.453(b), Occupations Code, is  
 3-32 amended to read as follows:  
 3-33 (b) A person may hold the person out to the public as an  
 3-34 "accountant," "auditor," or any combination of those terms or  
 3-35 assert that the person has expertise in accounting or auditing only  
 3-36 if:  
 3-37 (1) the person holds a license issued under this  
 3-38 chapter[+] and  
 3-39 [~~(2)~~] each of the person's offices in this state for  
 3-40 the practice of public accounting is maintained and practices under  
 3-41 a firm license as required under Subchapter H; or  
 3-42 (2) the person practices under a privilege under  
 3-43 Section 901.461 or 901.462.  
 3-44 SECTION 11. Section 901.454(a), Occupations Code, is  
 3-45 amended to read as follows:  
 3-46 (a) A person who is an accountant of another state may use  
 3-47 the title under which the accountant is generally known in the state  
 3-48 from which the accountant received a certificate, license, or  
 3-49 degree[~~, followed by the name of that state,~~] if:  
 3-50 (1) the person holds a license issued under this  
 3-51 chapter or practices in this state under a privilege under Section  
 3-52 901.461 or 901.462; and  
 3-53 (2) any [each] of the person's offices established or  
 3-54 maintained in this state for the practice of public accountancy are  
 3-55 licensed [is maintained and practices under a firm license as  
 3-56 required] under this chapter [Subchapter H].  
 3-57 SECTION 12. Section 901.455, Occupations Code, is amended  
 3-58 by adding Subsection (e) to read as follows:  
 3-59 (e) A firm that practices under Section 901.461 must use the  
 3-60 firm name that it uses in the state in which it is licensed and has  
 3-61 its principal place of business.  
 3-62 SECTION 13. Sections 901.456(a), (b), and (f), Occupations  
 3-63 Code, are amended to read as follows:  
 3-64 (a) Only a license holder or a person who practices under a  
 3-65 privilege under Section 901.461 or 901.462 may issue a report on a  
 3-66 financial statement of another person or otherwise perform or offer  
 3-67 to perform an attest service.  
 3-68 (b) A person who is not a license holder and who does not  
 3-69 practice under a privilege under Section 901.461 or 901.462:

4-1 (1) may not use language in any statement related to  
4-2 the financial affairs of a person that is conventionally used by  
4-3 license holders in reports on financial statements;

4-4 (2) may prepare financial statements; and

4-5 (3) may issue nonattest transmittals or information  
4-6 regarding nonattest transmittals if the transmittals or  
4-7 information do not purport to be in compliance with standards for  
4-8 accounting and review services adopted by the American Institute of  
4-9 Certified Public Accountants or another national accountancy  
4-10 organization recognized by the board.

4-11 (f) A license holder or an individual who practices under a  
4-12 privilege under Section 901.462 who performs attest services must  
4-13 provide those services in accordance with standards adopted by the  
4-14 American Institute of Certified Public Accountants or another  
4-15 national accountancy organization recognized by the board.

4-16 SECTION 14. Section 901.460(b), Occupations Code, is  
4-17 amended to read as follows:

4-18 (b) An individual who is a [A] license holder or practices  
4-19 under a privilege under Section 901.462 [~~who is an individual~~] and  
4-20 who is responsible for supervising attest services or signs or  
4-21 authorizes another person to sign an accountant's reports on  
4-22 financial statements on behalf of a certified public accountancy  
4-23 firm must meet the competency requirements of the professional  
4-24 standards that apply to those services.

4-25 SECTION 15. Subchapter J, Chapter 901, Occupations Code, is  
4-26 amended by adding Sections 901.461 and 901.462 to read as follows:

4-27 Sec. 901.461. PRACTICE BY CERTAIN OUT-OF-STATE FIRMS. (a)  
4-28 A certified public accountancy firm that is licensed and has its  
4-29 primary place of business in another state and is not required to  
4-30 hold a firm license under Section 901.351(a-1) may practice in this  
4-31 state without a firm license or notice to the board if the firm's  
4-32 practice in this state is performed by an individual who holds a  
4-33 license under this chapter or who practices under a privilege under  
4-34 Section 901.462.

4-35 (b) A firm described by Subsection (a) may exercise all the  
4-36 practice privileges of a firm license holder, except that the firm:

4-37 (1) may not perform the services described by Section  
4-38 901.351(a-1); and

4-39 (2) may perform the services described by Sections  
4-40 901.002(a)(1)(B) and (D) for an entity with its home office in this  
4-41 state only if:

4-42 (A) the firm meets the requirements of Sections  
4-43 901.354(a) and (b);

4-44 (B) the firm complies with the board's peer  
4-45 review program under Section 901.159; and

4-46 (C) the services are performed by an individual  
4-47 who holds a license under this chapter or practices under a  
4-48 privilege under Section 901.462.

4-49 (c) A firm practicing under a privilege under this section,  
4-50 as a condition of the privilege of practicing without a firm  
4-51 license:

4-52 (1) is subject to the personal and subject matter  
4-53 jurisdiction and disciplinary authority of the board;

4-54 (2) must comply with this chapter and board rules; and

4-55 (3) is considered to have appointed the regulatory  
4-56 agency of the state that issued the firm's license as the firm's  
4-57 agent on whom process may be served in any action or proceeding by  
4-58 the board against the firm.

4-59 (d) A firm practicing under a privilege under this section  
4-60 shall promptly cease offering or rendering professional services in  
4-61 this state if the firm's license to practice as a certified public  
4-62 accountancy firm in the state in which the firm's primary place of  
4-63 business is no longer valid.

4-64 Sec. 901.462. PRACTICE BY OUT-OF-STATE PRACTITIONER WITH  
4-65 SUBSTANTIALLY EQUIVALENT QUALIFICATIONS. (a) An individual who  
4-66 holds a certificate or license as a certified public accountant  
4-67 issued by another state and whose principal place of business is not  
4-68 in this state may exercise all the privileges of certificate and  
4-69 license holders of this state without obtaining a certificate or

5-1 license under this chapter if:  
5-2 (1) the National Association of State Boards of  
5-3 Accountancy's National Qualification Appraisal Service has  
5-4 verified that the other state has education, examination, and  
5-5 experience requirements for certification or licensure that are  
5-6 comparable to or exceed the requirements for licensure as a  
5-7 certified public accountant of The American Institute of Certified  
5-8 Public Accountants/National Association of State Boards of  
5-9 Accountancy Uniform Accountancy Act and the board determines that  
5-10 the licensure requirements of that Act are comparable to or exceed  
5-11 the licensure requirements of this chapter; or

5-12 (2) the individual obtains from the National  
5-13 Association of State Boards of Accountancy's National  
5-14 Qualification Appraisal Service verification that the individual's  
5-15 education, examination, and experience qualifications are  
5-16 comparable to or exceed the requirements for licensure as a  
5-17 certified public accountant of The American Institute of Certified  
5-18 Public Accountants/National Association of State Boards of  
5-19 Accountancy Uniform Accountancy Act and the board determines that  
5-20 the licensure requirements of that Act are comparable to or exceed  
5-21 the licensure requirements of this chapter.

5-22 (b) An individual who meets the requirements of Subsection  
5-23 (a)(1) or (2) and who offers or renders professional services in  
5-24 person or by mail, telephone, or electronic means may practice  
5-25 public accountancy in this state without notice to the board.

5-26 (c) An individual practicing under the privilege under this  
5-27 section, as a condition of the privilege of practicing without a  
5-28 certificate or license:

5-29 (1) is subject to the personal and subject matter  
5-30 jurisdiction and disciplinary authority of the board;

5-31 (2) must comply with this chapter and the board's  
5-32 rules; and

5-33 (3) is considered to have appointed the regulatory  
5-34 agency of the state that issued the individual's certificate or  
5-35 license as the agent on whom process may be served in any action or  
5-36 proceeding by the board against the individual.

5-37 (d) An individual who practices under a privilege under this  
5-38 section shall promptly cease offering or rendering professional  
5-39 services in this state if the individual's certificate or license  
5-40 in the state of the individual's principal place of business is no  
5-41 longer valid.

5-42 (e) An individual practicing under this section must  
5-43 practice through a firm that holds a license under this chapter if,  
5-44 for an entity with its principal office in this state, the  
5-45 individual performs:

5-46 (1) a financial statement audit or other engagement  
5-47 that is to be performed in accordance with the Statements on  
5-48 Auditing Standards;

5-49 (2) an examination of prospective financial  
5-50 information that is to be performed in accordance with the  
5-51 Statements on Standards for Attestation Engagements; or

5-52 (3) an engagement that is to be performed in  
5-53 accordance with auditing standards of the Public Company Accounting  
5-54 Oversight Board or its successor.

5-55 SECTION 16. Sections 901.356 and 901.412, Occupations Code,  
5-56 are repealed.

5-57 SECTION 17. This Act takes effect September 1, 2007.

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