

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

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

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

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

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

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

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

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

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

SENATE VERSION

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

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

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

Same as House version.

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

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

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

CONFERENCE

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

(1) establishes or maintains an office in this state; or  
(2) for an entity with its principal office in this state, performs in this state:

(A) a financial statement audit or other engagement in accordance with the Statements on Auditing Standards;

(B) an examination of prospective financial information in accordance with the Statements on Standards for Attestation Engagements; or

(C) an engagement in accordance with auditing standards of the Public Company Accounting Oversight Board or its successor.

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

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

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

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

(B) demonstrates the necessary qualifications in accordance with this subchapter.

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

(b) A certified public accountancy firm may include individuals as owners who are not license holders if:

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

SENATE VERSION

(1) establishes or maintains an office in this state; or  
(2) performs for an entity with its principal office in this state:

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

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

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

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

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

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

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

(B) demonstrates the necessary qualifications in accordance with this subchapter.

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

(b) A certified public accountancy firm may include individuals as owners who are not license holders if:

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

CONFERENCE

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

(A) a license holder who resides in this state; or  
(B) an individual practicing under a privilege under Section 901.462 if the firm consists only of individuals practicing under a privilege under Section 901.462 ~~[to be responsible for the firm's firm license and the supervision of the firm];~~

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

(A) is actively involved in the firm or an affiliated entity;

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

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

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

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

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

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

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

SENATE VERSION

(A) a license holder who resides in this state; or  
(B) if the firm is required under Section 901.351(a-1)(2) to hold a firm license, an individual practicing under a privilege under Section 901.462 ~~[to be responsible for the firm's firm license and the supervision of the firm];~~

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

(A) is actively involved in the firm or an affiliated entity;

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

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

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

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

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

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

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

CONFERENCE

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

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

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

(1) the name of the firm;

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

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

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

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

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

(A) each partner, member, shareholder, or other owner; and

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

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

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

SENATE VERSION

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

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

(1) the name of the firm;

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

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

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

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

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

(A) each partner, member, shareholder, or other owner; and

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

Same as House version.

CONFERENCE

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

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

(f) A person who was licensed in this state, moved to another state, and is currently licensed and has been in practice in the other state for the two years preceding the date of application may obtain a new license without reexamination. A [The] person described by this subsection whose license has been revoked under Section 901.502(3) or (4) may obtain a new license under this subsection. A person described by this subsection must pay to the board a fee that is equal to two times the normally required renewal fee for the license and is not subject to additional fees under Section 901.408.

Same as House version.

SECTION 7. Section 901.408(a), Occupations Code, is amended to read as follows:

(a) A person, other than a person described by Section 901.405(f), who fails to pay the license renewal fee or the additional fee imposed under Section 901.407, as applicable, and any late fee before the first anniversary of the due date of the renewal fee or additional fee may renew the person's license only by submitting to the board an application for renewal accompanied by payment of:

- (1) all accrued fees, including late fees; and
- (2) the direct administrative costs incurred by the board in renewing the person's license.

Same as House version.

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

SECTION 8. The heading to Subchapter J, Chapter 901, Occupations Code, is amended to read as follows:

SUBCHAPTER J. PRACTICE OF PUBLIC ACCOUNTANCY [~~BY LICENSE HOLDER~~]

Same as House version.

SECTION 9. Section 901.451(b), Occupations Code, is amended to read as follows:

(b) A person may not provide attest services or assume or use the title "certified public accountants," the abbreviation "CPAs," or any other title, designation, word, letter, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountancy firm unless:

(1) the person holds a firm license issued under this chapter or practices in this state under a privilege under Section 901.461;

(2) ownership of the person complies with the requirements of this chapter and rules adopted by the board; and

(3) the person complies with board rules authorizing the practice.

Same as House version.

SECTION 10. Section 901.453(b), Occupations Code, is amended to read as follows:

(b) A person may hold the person out to the public as an "accountant," "auditor," or any combination of those terms or assert that the person has expertise in accounting or auditing only if:

Same as House version.

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

(1) the person holds a license issued under this chapter[;] and  
[(2)] each of the person's offices in this state for the practice of public accounting is maintained and practices under a firm license as required under Subchapter H; or  
(2) the person practices under a privilege under Section 901.461 or 901.462.

SECTION 11. Section 901.454(a), Occupations Code, is amended to read as follows:

(a) A person who is an accountant of another state may use the title under which the accountant is generally known in the state from which the accountant received a certificate, license, or degree[; ~~followed by the name of that state,~~] if:

(1) the person holds a license issued under this chapter or practices in this state under a privilege under Section 901.461 or 901.462; or [and]

(2) any [each] of the person's offices established or maintained in this state for the practice of public accountancy are licensed [is maintained and practices under a firm license as required] under this chapter [Subchapter H].

SECTION 12. Section 901.455, Occupations Code, is amended by adding Subsection (e) to read as follows:

(e) A firm that practices under Section 901.461 must use the firm name that it uses in the state in which it is

SENATE VERSION

SECTION 11. Section 901.454(a), Occupations Code, is amended to read as follows:

(a) A person who is an accountant of another state may use the title under which the accountant is generally known in the state from which the accountant received a certificate, license, or degree[; ~~followed by the name of that state,~~] if:

(1) the person holds a license issued under this chapter or practices in this state under a privilege under Section 901.461 or 901.462; and

(2) any [each] of the person's offices established or maintained in this state for the practice of public accountancy are licensed [is maintained and practices under a firm license as required] under this chapter [Subchapter H].

Same as House version.

CONFERENCE

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

licensed and has its principal place of business.

SECTION 13. Sections 901.456(a), (b), and (f), Occupations Code, are amended to read as follows:

(a) Only a license holder or a person who practices under a privilege under Section 901.461 or 901.462 may issue a report on a financial statement of another person or otherwise perform or offer to perform an attest service.

(b) A person who is not a license holder and who does not practice under a privilege under Section 901.461 or 901.462:

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

(2) may prepare financial statements; and

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

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

Same as House version.



**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

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

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

Same as House version.

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

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

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

(1) may not perform the services described by Section

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

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

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

(1) may not perform the services described by Section

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

901.351(a-1); and  
(2) may perform the services described by Sections 901.002(a)(1)(B) and (D) for an entity with its home office in this state only if:  
(A) the firm meets the requirements of Sections 901.354(a) and (b);  
(B) the firm complies with the board's peer review program under Section 901.159; and  
(C) the services are performed by an individual who holds a license under this chapter or practices under a privilege under Section 901.462.  
(c) A firm practicing under a privilege under this section, as a condition of the privilege of practicing without a firm license:  
(1) is subject to the personal and subject matter jurisdiction and disciplinary authority of the board;  
(2) must comply with this chapter and board rules; and  
(3) is considered to have appointed the regulatory agency of the state that issued the firm's license as the firm's agent on whom process may be served in any action or proceeding by the board against the firm.  
(d) A firm practicing under a privilege under this section shall promptly cease offering or rendering professional services in this state if the firm's license to practice as a certified public accountancy firm in the state in which the firm's primary place of business is no longer valid.  
Sec. 901.462. PRACTICE BY OUT-OF-STATE PRACTITIONER WITH SUBSTANTIALLY EQUIVALENT QUALIFICATIONS. (a) An individual who holds a certificate or license as a certified public

SENATE VERSION

901.351(a-1); and  
(2) may perform the services described by Sections 901.002(a)(1)(B) and (D) for an entity with its home office in this state only if:  
(A) the firm meets the requirements of Sections 901.354(a) and (b);  
(B) the firm complies with the board's peer review program under Section 901.159; and  
(C) the services are performed by an individual who holds a license under this chapter or practices under a privilege under Section 901.462.  
(c) A firm practicing under a privilege under this section, as a condition of the privilege of practicing without a firm license:  
(1) is subject to the personal and subject matter jurisdiction and disciplinary authority of the board;  
(2) must comply with this chapter and board rules; and  
(3) is considered to have appointed the regulatory agency of the state that issued the firm's license as the firm's agent on whom process may be served in any action or proceeding by the board against the firm.  
(d) A firm practicing under a privilege under this section shall promptly cease offering or rendering professional services in this state if the firm's license to practice as a certified public accountancy firm in the state in which the firm's primary place of business is no longer valid.  
Sec. 901.462. PRACTICE BY OUT-OF-STATE PRACTITIONER WITH SUBSTANTIALLY EQUIVALENT QUALIFICATIONS. (a) An individual who holds a certificate or license as a certified public

CONFERENCE

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

accountant issued by another state and whose principal place of business is not in this state may exercise all the privileges of certificate and license holders of this state without obtaining a certificate or license under this chapter if:

(1) the National Association of State Boards of Accountancy's National Qualification Appraisal Service has verified that the other state has education, examination, and experience requirements for certification or licensure that are comparable to or exceed the requirements for licensure as a certified public accountant of The American Institute of Certified Public Accountants/National Association of State Boards of Accountancy Uniform Accountancy Act and the board determines that the licensure requirements of that Act are comparable to or exceed the licensure requirements of this chapter; or

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

(b) An individual who meets the requirements of Subsection (a)(1) or (2) and who offers or renders

SENATE VERSION

accountant issued by another state and whose principal place of business is not in this state may exercise all the privileges of certificate and license holders of this state without obtaining a certificate or license under this chapter if:

(1) the National Association of State Boards of Accountancy's National Qualification Appraisal Service has verified that the other state has education, examination, and experience requirements for certification or licensure that are comparable to or exceed the requirements for licensure as a certified public accountant of The American Institute of Certified Public Accountants/National Association of State Boards of Accountancy Uniform Accountancy Act and the board determines that the licensure requirements of that Act are comparable to or exceed the licensure requirements of this chapter; or

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

(b) An individual who meets the requirements of Subsection (a)(1) or (2) and who offers or renders

CONFERENCE

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

professional services in person or by mail, telephone, or electronic means may practice public accountancy in this state without notice to the board.

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

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

(2) must comply with this chapter and the board's rules; and

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

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

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

(1) a financial statement audit or other engagement in accordance with the Statements on Auditing Standards;

(2) an examination of prospective financial information in accordance with the Statements on Standards for Attestation Engagements; or

SENATE VERSION

professional services in person or by mail, telephone, or electronic means may practice public accountancy in this state without notice to the board.

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

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

(2) must comply with this chapter and the board's rules; and

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

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

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

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

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

CONFERENCE

**House Bill 2144**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

(3) an engagement in accordance with auditing standards of the Public Company Accounting Oversight Board or its successor.

SECTION 16. Sections 901.356 and 901.412, Occupations Code, are repealed.

SECTION 17. This Act takes effect September 1, 2007.

SENATE VERSION

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

Same as House version.

Same as House version.

CONFERENCE