

45:2B-3

LEGISLATIVE HISTORY CHECKLIST
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(Public Accounting--organization)

NJSA: 45:2B-3

LAWS OF: 1994 **CHAPTER:** 43

BILL NO: A688

SPONSOR(S): Derman and Warsh

DATE INTRODUCED: Pre-filed

COMMITTEE: **ASSEMBLY:** Commerce

SENATE: ---

AMENDED DURING PASSAGE: Yes **Amendments during passage**
First reprint enacted **denoted by asterisks**

DATE OF PASSAGE: **ASSEMBLY:** March 10, 1994

SENATE: May 12, 1994

DATE OF APPROVAL: June 21, 1994

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes

SENATE: No

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

[FIRST REPRINT]
ASSEMBLY, No. 688

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1994 SESSION

By Assemblywoman DERMAN and Assemblyman WARSH

1 AN ACT concerning the practice of public accounting and
2 amending P.L.1977, c.144.

3

4 BE IT ENACTED *by the Senate and General Assembly of the*
5 *State of New Jersey:*

6 1. Section 3 of P.L.1977, c.144 (C.45:2B-3) is amended to read
7 as follows:

8 3. Definitions. As used in this act:

9 "Board" means the New Jersey State Board of Accountancy [
10 and].

11 "Firm" means any organization, other than a sole
12 proprietorship, not prohibited by law from engaging in this State
13 in the practice of public accounting, including, but not limited to,
14 professional corporations, partnerships¹, including limited
15 liability partnerships,¹ and limited liability companies.

16 "Owner" means any person with an equity or equivalent
17 interest in the firm, such as a shareholder with respect to a
18 corporation or a partner with respect to a partnership.

19 "State" includes any state, territory or insular possession of
20 the United States or the District of Columbia.

21 (cf: P.L.1982, c.96, s.1)

22 2. Section 14 of P.L.1977, c.144 (C.45:2B-14) is amended to
23 read as follows:

24 14. [Professional service corporations; partnerships;
25 registration] Registration of certified public accounting firms.

26 [a. One or more persons may organize a corporation for the
27 practice of public accounting under "The Professional Service
28 Corporation Act" (P.L.1909, c.232, C.14A:17-1 et seq.) and shall
29 register such corporation with the board.

30 b.] A [partnership] firm engaged in this State in the practice of
31 public accounting shall register with the board as a [partnership]
32 firm of certified public accountants provided it meets the
33 following requirements:

34 [(1)] a. At least one [general partner thereof must] owner of
35 the firm shall be a certified public accountant of this State in
36 good standing;

37 [(2)] b. Each [partner thereof must] owner of the firm shall be
38 a certified public accountant of some state in good standing; and

39 [(3)] c. Each resident manager in charge of an office of [a] the
40 firm in this State and each [partner] owner thereof personally
41 engaged within this State in the practice of public accounting as
42 [a member] an owner thereof [must] shall be a certified public

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly ACP committee amendments adopted February 10, 1994.

1 accountant of this State in good standing.

2 Application for registration [must] shall be made upon the
3 affidavit of [a general partner or shareholder] an owner of the
4 firm who is a certified public accountant of this State in good
5 standing. The board shall in each case determine whether the
6 applicant is eligible for registration. A [partnership or
7 corporation] firm which is so registered may use the words
8 "certified public accountants" or the abbreviation "CPAs" in
9 connection with its [partnership or corporate] firm name.
10 Notification shall be given the board within 90 days after the
11 admission to or withdrawal of [a partner or shareholder] an owner
12 from any [partnership or corporation] firm so registered.

13 (cf: P.L.1977, c.144, s.14)

14 3. Section 15 of P.L.1977, c.144 (C.45:2B-15) is amended to
15 read as follows:

16 15. [Partnerships and corporations composed of public
17 accountants; registration] Registration of public accounting
18 firms. [A partnership] Unless registered pursuant to section 14 of
19 P.L.1977, c.144 (C.45:2B-14), a firm engaged in this State in the
20 practice of public accounting [may] shall register with the board
21 as a [partnership] firm of public accountants provided it meets
22 the following requirements:

23 a. Each [partner thereof] owner of the firm engaged in the
24 practice of public accounting as [a member] an owner thereof
25 [must] shall be a certified public accountant or a public
26 accountant of this State in good standing; and

27 b. Each resident manager in charge of an office of [a] the firm
28 in this State [must] shall be a certified public accountant or a
29 public accountant of this State in good standing.

30 Application for registration [must] shall be made upon the
31 affidavit of [a general partner or shareholder] an owner of the
32 firm who holds a permit to practice in this State as a certified
33 public accountant or as a public accountant. The board shall in
34 each case determine whether the applicant is eligible for
35 registration. A [partnership or corporation] firm which is so
36 registered may use the words "public accountants" in connection
37 with its [partnership or corporate] firm name. Notification shall
38 be given the board within 90 days after the admission to or
39 withdrawal of [a partner or shareholder] an owner from any
40 [partnership or corporation] firm so registered.

41 (cf: P.L.1977, c.144, s.15)

42 4. Section 16 of P.L.1977, c.144 (C.45:2B-16) is amended to
43 read as follows:

44 16. Offices; registration. Each office established or
45 maintained in this State for the practice of public accounting in
46 this State by a certified public accountant, a [partnership or
47 professional corporation] firm of certified public accountants, [or
48 by] a public accountant, or a [partnership or professional
49 corporation] firm of public accountants shall be registered
50 biennially with the board. Each such office shall be under the
51 direct supervision of a resident manager who may be [either a
52 principal, shareholder] a sole proprietor, an owner or a staff
53 employee registered under this act.

54 (cf: P.L.1977, c.144, s.16)

1 5. Section 17 of P.L.1977, c.144 (C.45:2B-17) is amended to
2 read as follows:

3 17. Biennial registration. Every person [, partnership] or
4 [professional corporation] firm certified or registered to practice
5 certified public accounting or public accounting within this State
6 shall biennially register with and pay to the board a biennial
7 registration fee.

8 Notice of the failure to pay such biennial registration fee shall
9 be given to the person or firm so failing, which notice shall state
10 that, upon the continued failure to pay such fee, the certificate
11 or registration issued to such person or firm will be declared
12 forfeited by the board at the time and place stated therein unless
13 such fee is sooner paid. The board may make rules and
14 regulations regarding the reissuance of a certificate or
15 registration to any person or firm whose certificate or
16 registration has been forfeited under this section and fixing the
17 fee to be paid for same.

18 Unless he has given notice thereof in some previous application
19 to the board, an individual paying his biennial registration fee, in
20 addition to any other information which the board may require,
21 shall state in his application whether any certificate as a
22 certified public accountant or any charter as a chartered
23 accountant or any license to practice or registration or
24 enrollment as a public accountant ever issued to or made for him
25 by any state or political subdivision of the United States or by
26 any foreign country or political subdivision of the United States
27 or by an accounting society of a foreign country has been revoked
28 or suspended, and, if so, such facts relating to such revocation or
29 suspension as the board may require.

30 No certified public accountant or public accountant of this
31 State, who has not registered pursuant to the requirements of this
32 section for a particular biennial registration period, shall, during
33 such period, hold himself out to be engaged in practice as a
34 certified public accountant or public accountant within this
35 State, or use in connection with his name any title or designation
36 tending to imply that he is engaged in practice as a certified
37 public accountant or public accountant within this State.

38 (cf: P.L.1977, c.144, s.17)

39 6. Section 19 of P.L.1977, c.144 (C.45:2B-19) is amended to
40 read as follows:

41 19. Revocation or suspension of [partnership or corporation]
42 firm registration. After notice and hearing, the board may
43 revoke the registration and permit to practice of a [partnership
44 or corporation] firm if at any time it does not have all the
45 qualifications prescribed by the section of this act under which it
46 qualified for registration, including:

47 a. The revocation or suspension of the certificate or
48 registration to practice of any [partner or shareholder] owner of
49 the firm; or

50 b. The revocation or suspension of the authority of the
51 [partnership or corporation] firm, or any [partner or shareholder]
52 owner thereof, to practice public accounting in any other state
53 for any cause other than failure to pay an annual or biennial
54 registration fee in such other state.

55 (cf: P.L.1977, c.144, s.19)

1 7. Section 23 of P.L.1977, c.144 (C.45:2B-23) is amended to
2 read as follows:

3 23. Acts declared unlawful. a. No person shall assume or use
4 the title or designation "certified public accountant" or the
5 abbreviation "CPA" or any other title, designation, words,
6 letters, abbreviation, sign, card or device tending to indicate that
7 such person is a certified public accountant, unless such person
8 holds a current certificate as a certified public accountant under
9 this act provided, however that a foreign accountant who holds a
10 current registration under this act may use the title under which
11 he is generally known in his country, followed by the name of the
12 country from which he received his certificate, license or degree.

13 b. No [partnership or corporation] firm shall assume or use the
14 title or designation "certified public accountant" or the
15 abbreviation "CPA" or any other title, designation, words,
16 letters, abbreviation, sign, card or device tending to indicate that
17 such [partnership or corporation] firm is composed of certified
18 public accountants unless such [partnership or corporation] firm is
19 currently registered as a [partnership or corporation] firm of
20 certified public accountants under this act.

21 c. No person shall assume or use the title or designation
22 "public accountant" or any other title, designation, words,
23 letters, abbreviation, sign, card or device tending to indicate that
24 such person is a public accountant, unless such person is
25 registered as a public accountant or holds a current certificate as
26 a certified public accountant under this act.

27 d. No [partnership or corporation] firm shall assume or use the
28 title or designation "public accountant" or any other title,
29 designation, words, letters, abbreviation, sign, card or device
30 tending to indicate that such [partnership or corporation] firm is
31 composed of public accountants, unless such [partnership or
32 corporation] firm is currently registered as a [partnership or
33 corporation] firm of public accountants or as a [partnership or
34 corporation] firm of certified public accountants under this act.

35 e. No person [, partnership] or [corporation] firm shall assume
36 or use the title or designation "certified accountant", "chartered
37 accountant", "enrolled accountant", "licensed accountant",
38 "registered accountant" or any other title or designation likely to
39 be confused with "certified public accountant" or "public
40 accountant" , or any of the abbreviations "CA", "PA", "EA",
41 "RA", "LPA", "LA" or similar abbreviations likely to be confused
42 with "CPA" ; provided, however, that anyone who holds a current
43 certificate or registration under this act may hold himself out to
44 the public as an "accountant" or "auditor".

45 f. No person shall sign or affix his name or any trade or
46 assumed name used by him in his profession or business with any
47 wording indicating that he is an accountant or auditor, or with
48 any wording indicating that he has expert knowledge in
49 accounting or auditing, to any opinion or certificate attesting in
50 any way to the reliability of any representation or estimate in
51 regard to any person or organization embracing (1) financial
52 information or (2) facts respecting compliance with conditions
53 established by law or contract, including but not limited to
54 statutes, ordinances, regulations, grants, loans and

1 appropriations, unless he holds a current certificate or
2 registration under this act; provided, however, that the provisions
3 of this subsection shall not prohibit any officer, employee,
4 partner or principal of any organization from affixing his
5 signature to any statement or report in reference to the affairs
6 of said organization with any wording designating the position,
7 title or office which he holds in said organization, nor shall the
8 provisions of this subsection prohibit any act of a public official
9 or public employee in the performance of his duties as such.

10 g. No person shall sign or affix a [partnership or corporate]
11 firm name with any wording indicating that it is a [partnership or
12 corporation] firm composed of accountants or auditors or persons
13 having expert knowledge in accounting or auditing, to any opinion
14 or certificate attesting in any way to the reliability of any
15 representation or estimate in regard to any person or
16 organization embracing (1) financial information or (2) facts
17 respecting compliance with conditions established by law or
18 contract, including but not limited to statutes, ordinances,
19 regulations, grants, loans and appropriations, unless the
20 [partnership or corporation] firm holds a current certificate or
21 registration issued under this act.

22 h. No person or [partnership or corporation] firm not currently
23 certified or registered under this act shall hold himself or itself
24 out to the public as an "accountant" or "auditor" by use of either
25 or both of such words on any sign, card, letterhead or in any
26 advertisement or directory, without clearly indicating thereon or
27 therein that such person [, partnership] or [corporation] firm does
28 not currently hold such certificate or registration; provided, that
29 this subsection shall not prohibit any officer, employee, partner
30 or principal of any organization from describing himself by the
31 position, title or office he holds in such organization; nor shall
32 this subsection prohibit any act of public official or public
33 employee in the performance of his duties as such.

34 i. No person shall assume or use the title or designation
35 "certified public accountant" or "public accountant" in
36 conjunction with names indicating or implying that there is a
37 [partnership or corporation] firm, or in conjunction with the
38 designation "and Company" or "and Co." or a similar designation
39 if, in any such case, there is in fact no bona fide [partnership or
40 corporation] firm registered under this act. A practitioner shall
41 not practice in the name of another unless he is in partnership
42 with him or in his employ, nor shall he allow any person to
43 practice in his name who is not in partnership with him or in his
44 employ. This provision shall not prevent a [partnership] firm or
45 its successors from continuing to practice under a firm name
46 which consists of or includes the name or names of one or more
47 former [partners] owners, nor shall it prevent the continuation of
48 a [partnership] firm name for a reasonable period of time by the
49 remaining [partner] owner practicing as sole proprietor after the
50 withdrawal or death of one or more [partners] owners.

51 (cf: P.L.1977, c.144, s.23)

52 8. Section 24 of P.L.1977, c.144 (C.45:2B-24) is amended to
53 read as follows:

54 24. Exceptions, acts not prohibited. a. Nothing contained in

1 this act shall prohibit any person not a certified public
2 accountant or public accountant from serving as an employee of,
3 or an assistant to, a certified public accountant or public
4 accountant or [partnership or corporation] firm composed of
5 certified public accountants or public accountants holding a
6 current certification or registration under this act; provided that
7 such employee or assistant shall not issue any accounting or
8 financial statement over his name.

9 b. Except as otherwise provided in this act, nothing contained
10 in this act shall affect the practice as a "registered municipal
11 accountant" or "public school accountant" .

12 (cf: P.L.1977, c.144, s.24)

13 9. This act shall take effect immediately.

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18 Expands organizational forms in which public accounting may be
19 practiced.

1 this act shall prohibit any person not a certified public
2 accountant or public accountant from serving as an employee of,
3 or an assistant to, a certified public accountant or public
4 accountant or [partnership or corporation] firm composed of
5 certified public accountants or public accountants holding a
6 current certification or registration under this act; provided that
7 such employee or assistant shall not issue any accounting or
8 financial statement over his name.

9 b. Except as otherwise provided in this act, nothing contained
10 in this act shall affect the practice as a "registered municipal
11 accountant" or "public school accountant" .
12 (cf: P.L.1977, c.144, s.24)

13 9. This act shall take effect immediately.
14
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16 STATEMENT

17

18 This bill allows certified public accounting firms and public
19 accounting firms in this State to have any organizational
20 structure not prohibited by law. This change is necessary because
21 of the introduction of new organizational forms, such as limited
22 liability companies.
23
24

25
26
27 Expands organizational forms in which public accounting may be
28 practiced.

ASSEMBLY COMMERCE AND REGULATED
PROFESSIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 688

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 10, 1994

The Assembly Commerce and Regulated Professions Committee reports favorably Assembly Bill No. 688, with amendments.

As amended, this bill allows certified public accounting firms and public accounting firms in this State to have any organizational structure not prohibited by law. This change is necessary because of the introduction of new organizational forms, such as limited liability companies provided for pursuant to the "New Jersey Limited Liability Company Act," P.L.1993, c.210 (C.42:2B-1 et seq.), which was recently enacted into law.

The committee amended the bill to specifically include limited liability partnerships as one of the organizational structures under which certified public accounting firms and public accounting firms may operate.

This bill was pre-filed for introduction in the 1994 session pending technical review. As reported, the bill includes the changes required by technical review which has been performed.