

SENATE

STATE OF MINNESOTA

EIGHTY-EIGHTH LEGISLATURE

S.F. No. 86

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DATE	D-PG	OFFICIAL STATUS
01/22/2013	81	Introduction and first reading Referred to State and Local Government
02/06/2013	152a	Comm report: To pass as amended and re-refer to Commerce
02/21/2013		Comm report: To pass as amended and re-refer to Finance

A bill for an act
relating to occupations and professions; making changes to the Board of
Accountancy; proposing fee increases; making changes to licensing provisions;
repealing obsolete provisions; amending Minnesota Statutes 2012, sections
326A.04, subdivisions 2, 3, 4, 5, 7; 326A.10; repealing Minnesota Statutes
2012, section 326A.03, subdivisions 2, 5, 8; Minnesota Rules, parts 1105.0600;
1105.2550; 1105.2700.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2012, section 326A.04, subdivision 2, is amended to read:

Subd. 2. **Timing.** (a) Certificates must be initially issued and renewed ~~for periods of~~
~~not more than three years~~ annually but in any event must expire on December 31 in the year
prescribed by the board by rule. Applications for certificates must be made in the form, and
in the case of applications for renewal between the dates, specified by the board in rule.
The board shall grant or deny an application no later than 90 days after the application is
filed in proper form. If the applicant seeks the opportunity to show that issuance or renewal
of a certificate was mistakenly denied, or if the board is unable to determine whether it
should be granted or denied, the board may issue to the applicant a provisional certificate
that expires 90 days after its issuance, or when the board determines whether or not to
issue or renew the certificate for which application was made, whichever occurs first.

(b) Certificate holders who do not provide professional services and do not use the
certified public accountant designation in any manner are not required to renew their
certificates provided they have notified the board as provided in board rule and comply
with the requirements for nonrenewal as specified in board rule.

(c) Applications for renewal of a certificate that are complete and timely filed with
the board and are not granted or denied by the board before January 1 are renewed on a

provisional basis as of January 1 and for 90 days thereafter, or until the board grants or denies the renewal of the certificate, whichever occurs first, provided the licensee meets the requirements in this chapter and rules adopted by the board.

EFFECTIVE DATE. This section is effective for licenses issued or renewed after January 1, 2014.

Sec. 2. Minnesota Statutes 2012, section 326A.04, subdivision 3, is amended to read:

Subd. 3. **Residents of other states.** (a) With regard to an applicant who must obtain a certificate in this state because the applicant does not qualify under the substantial equivalency standard in section 326A.14, subdivision 1, the board shall issue a certificate to a holder of a certificate, license, or permit issued by another state upon a showing that:

(1) the applicant passed the examination required for issuance of a certificate in this state;

(2) the applicant had four years of experience of the type described in section 326A.03, subdivision 6, paragraph (b), ~~if application is made on or after July 1, 2006, or section 326A.03, subdivision 8, if application is made before July 1, 2006;~~ or the applicant meets equivalent requirements prescribed by the board by rule, after passing the examination upon which the applicant's certificate was based and within the ten years immediately preceding the application;

(3) if the applicant's certificate, license, or permit was issued more than four years prior to the application for issuance of an initial certificate under this subdivision, that the applicant has fulfilled the requirements of continuing professional education that would have been applicable under subdivision 4; and

(4) the applicant has met the qualifications prescribed by the board by rule.

(b) A certificate holder licensed by another state who establishes a principal place of business in this state shall request the issuance of a certificate from the board prior to establishing the principal place of business. The board shall issue a certificate to the person if the person's individual certified public accountant qualifications, upon verification, are substantially equivalent to the certified public accountant licensure requirements of this chapter or the person meets equivalent requirements as the board prescribes by rule. Residents of this state who provide professional services in this state at an office location in this state shall be considered to have their principal place of business in this state.

Sec. 3. Minnesota Statutes 2012, section 326A.04, subdivision 4, is amended to read:

Subd. 4. **Program of learning.** (a) Each licensee shall participate in a program of learning designed to maintain professional competency. The program of learning must

comply with rules adopted by the board. The board may by rule create an exception to this requirement for licensees who do not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or of one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. A licensee granted such an exception by the board must place the word "inactive" adjacent to the CPA title on any business card, letterhead, or any other document or device, with the exception of the licensee's certificate on which the CPA title appears.

(b) Licensees holding a certificate with an "active" status shall comply with the continuing professional education requirements in Minnesota Rules, part 1105.3000. Notwithstanding Minnesota Rules, part 1105.3000, effective for licenses renewed or issued on or after January 1, 2014, the continuing professional education credit reporting year ends on December 31 and credits must be earned by December 31.

Sec. 4. Minnesota Statutes 2012, section 326A.04, subdivision 5, is amended to read:

Subd. 5. **Fee.** (a) The board shall charge a fee for each application for initial issuance or renewal of a certificate under this section.

(b) The board shall annually establish a fee schedule not to exceed the following amounts:

(1) initial issuance of certificate, \$150;

(2) renewal of certificate with an active status, \$100 per year;

(3) initial CPA firm permits, except for sole practitioners, \$100;

(4) renewal of CPA firm permits, except for sole practitioners and those firms specified in clause (17), \$35 per year;

(5) initial issuance and renewal of CPA firm permits for sole practitioners, except for those firms specified in clause (17), \$35 per year;

(6) annual late processing delinquency fee for permit, certificate, or registration renewal applications not received prior to expiration date, \$50;

(7) copies of records, per page, 25 cents;

(8) registration of noncertificate holders, nonlicensees, and nonregistrants in connection with renewal of firm permits, \$45 per year;

(9) applications for reinstatement, \$20;

(10) initial registration of a registered accounting practitioner, \$50;

(11) initial registered accounting practitioner firm permits, \$100;

(12) renewal of registered accounting practitioner firm permits, except for sole practitioners, \$100 per year;

4.1 (13) renewal of registered accounting practitioner firm permits for sole practitioners,
4.2 \$35 per year;
4.3 (14) CPA examination application, \$40;
4.4 (15) CPA examination, fee determined by third-party examination administrator;
4.5 (16) renewal of certificates with an inactive status, \$25 per year; and
4.6 (17) renewal of CPA firm permits for firms that have one or more offices located in
4.7 another state, \$68 per year.

4.8 Sec. 5. Minnesota Statutes 2012, section 326A.04, subdivision 7, is amended to read:

4.9 Subd. 7. **Certificates issued by foreign countries.** The board shall issue a
4.10 certificate to a holder of a generally equivalent foreign country designation, provided that:

4.11 (1) the foreign authority that granted the designation makes similar provision to
4.12 allow a person who holds a valid certificate issued by this state to obtain the foreign
4.13 authority's comparable designation;

4.14 (2) the foreign designation:

4.15 (i) was duly issued by a foreign authority that regulates the practice of public
4.16 accountancy and the foreign designation has not expired or been revoked or suspended;

4.17 (ii) entitles the holder to issue reports upon financial statements; and

4.18 (iii) was issued upon the basis of educational, examination, and experience
4.19 requirements established by the foreign authority or by law; and

4.20 (3) the applicant:

4.21 (i) received the designation, based on educational and examination standards
4.22 generally equivalent to those in effect in this state, at the time the foreign designation
4.23 was granted;

4.24 (ii) has, within the ten years immediately preceding the application, completed an
4.25 experience requirement that is generally equivalent to the requirement in section 326A.03,
4.26 subdivision 6, paragraph (b), ~~if application is made on or after July 1, 2006, or section~~
4.27 ~~326A.03, subdivision 8, if application is made before July 1, 2006,~~ in the jurisdiction that
4.28 granted the foreign designation; completed four years of professional experience in this
4.29 state; or met equivalent requirements prescribed by the board by rule; and

4.30 (iii) passed a uniform qualifying examination in national standards and an
4.31 examination on the laws, regulations, and code of ethical conduct in effect in this state
4.32 as the board prescribes by rule.

4.33 Sec. 6. Minnesota Statutes 2012, section 326A.10, is amended to read:

4.34 **326A.10 UNLAWFUL ACTS.**

(a) Only a licensee and individuals who have been granted practice privileges under section 326A.14 may issue a report on financial statements of any person, firm, organization, or governmental unit that results from providing attest services, or offer to render or render any attest service. Only a certified public accountant, an individual who has been granted practice privileges under section 326A.14, a CPA firm, or, to the extent permitted by board rule, a person registered under section 326A.06, paragraph (b), may issue a report on financial statements of any person, firm, organization, or governmental unit that results from providing compilation services or offer to render or render any compilation service. These restrictions do not prohibit any act of a public official or public employee in the performance of that person's duties or prohibit the performance by any nonlicensee of other services involving the use of accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports on them. Nonlicensees may prepare financial statements and issue nonattest transmittals or information on them which do not purport to be in compliance with the Statements on Standards for Accounting and Review Services (SSARS). Nonlicensees registered under section 326A.06, paragraph (b), may, to the extent permitted by board rule, prepare financial statements and issue nonattest transmittals or information on them.

(b) Licensees and individuals who have been granted practice privileges under section 326A.14 performing attest or compilation services must provide those services in accordance with professional standards. To the extent permitted by board rule, registered accounting practitioners performing compilation services must provide those services in accordance with standards specified in board rule.

(c) A person who does not hold a valid certificate issued under section 326A.04 or a practice privilege granted under section 326A.14 shall not use or assume the title "certified public accountant," the abbreviation "CPA," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountant.

(d) A firm shall not provide attest services or assume or use the title "certified public accountants," the abbreviation "CPA's," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is a CPA firm unless (1) the firm has complied with section 326A.05, and (2) ownership of the firm is in accordance with this chapter and rules adopted by the board.

(e) A person or firm that does not hold a valid certificate or permit issued under section 326A.04 or 326A.05 or has not otherwise complied with section 326A.04 or 326A.05 as required in this chapter shall not assume or use the title "certified accountant,"

"chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," "accredited accountant," "accounting practitioner," "public accountant," "licensed public accountant," or any other title or designation likely to be confused with the title "certified public accountant," or use any of the abbreviations "CA," "LA," "RA," "AA," "PA," "AP," "LPA," or similar abbreviation likely to be confused with the abbreviation "CPA." The title "enrolled agent" or "EA" may only be used by individuals so designated by the Internal Revenue Service.

(f) Persons registered under section 326A.06, paragraph (b), may use the title "registered accounting practitioner" or the abbreviation "RAP." A person who does not hold a valid registration under section 326A.06, paragraph (b), shall not assume or use such title or abbreviation.

(g) Except to the extent permitted in paragraph (a), nonlicensees may not use language in any statement relating to the financial affairs of a person or entity that is conventionally used by licensees in reports on financial statements. In this regard, the board shall issue by rule safe harbor language that nonlicensees may use in connection with such financial information. A person or firm that does not hold a valid certificate or permit, or a registration issued under section 326A.04, 326A.05, or 326A.06, paragraph (b), or has not otherwise complied with section 326A.04 or 326A.05 as required in this chapter shall not assume or use any title or designation that includes the word "accountant" or "accounting" in connection with any other language, including the language of a report, that implies that the person or firm holds such a certificate, permit, or registration or has special competence as an accountant. A person or firm that does not hold a valid certificate or permit issued under section 326A.04 or 326A.05 or has not otherwise complied with section 326A.04 or 326A.05 as required in this chapter shall not assume or use any title or designation that includes the word "auditor" in connection with any other language, including the language of a report, that implies that the person or firm holds such a certificate or permit or has special competence as an auditor. However, this paragraph does not prohibit any officer, partner, member, manager, or employee of any firm or organization from affixing that person's own signature to any statement in reference to the financial affairs of such firm or organization with any wording designating the position, title, or office that the person holds, nor prohibit any act of a public official or employee in the performance of the person's duties as such.

(h)(1) No person holding a certificate or registration or firm holding a permit under this chapter shall use a professional or firm name or designation that is misleading about the legal form of the firm, or about the persons who are partners, officers, members, managers, or shareholders of the firm, or about any other matter. However, names of one

or more former partners, members, managers, or shareholders may be included in the name of a firm or its successor.

(2) A common brand name or network name part, including common initials, used by a CPA firm in its name, is not misleading if the firm is a network firm as defined in the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct in effect July 1, 2011, and when offering or rendering services that require independence under AICPA standards, the firm complies with the AICPA code's applicable standards on independence.

(i) Paragraphs (a) to (h) do not apply to a person or firm holding a certification, designation, degree, or license granted in a foreign country entitling the holder to engage in the practice of public accountancy or its equivalent in that country, if:

(1) the activities of the person or firm in this state are limited to the provision of professional services to persons or firms who are residents of, governments of, or business entities of the country in which the person holds the entitlement;

(2) the person or firm performs no attest or compilation services and issues no reports with respect to the financial statements of any other persons, firms, or governmental units in this state; and

(3) the person or firm does not use in this state any title or designation other than the one under which the person practices in the foreign country, followed by a translation of the title or designation into English, if it is in a different language, and by the name of the country.

(j) No holder of a certificate issued under section 326A.04 may perform attest services through any business form that does not hold a valid permit issued under section 326A.05.

(k) No individual licensee may issue a report in standard form upon a compilation of financial information through any form of business that does not hold a valid permit issued under section 326A.05, unless the report discloses the name of the business through which the individual is issuing the report, and the individual:

(1) signs the compilation report identifying the individual as a certified public accountant;

(2) meets the competency requirement provided in applicable standards; and

(3) undergoes no less frequently than once every three years, a peer review conducted in a manner specified by the board in rule, and the review includes verification that the individual has met the competency requirements set out in professional standards for such services.

(l) No person registered under section 326A.06, paragraph (b), may issue a report in standard form upon a compilation of financial information unless the board by rule permits the report and the person:

(1) signs the compilation report identifying the individual as a registered accounting practitioner;

(2) meets the competency requirements in board rule; and

(3) undergoes no less frequently than once every three years a peer review conducted in a manner specified by the board in rule, and the review includes verification that the individual has met the competency requirements in board rule.

(m) Nothing in this section prohibits a practicing attorney or firm of attorneys from preparing or presenting records or documents customarily prepared by an attorney or firm of attorneys in connection with the attorney's professional work in the practice of law.

(n) The board shall adopt rules that place limitations on receipt by a licensee or a person who holds a registration under section 326A.06, paragraph (b), of:

(1) contingent fees for professional services performed; and

(2) commissions or referral fees for recommending or referring to a client any product or service.

(o) Anything in this section to the contrary notwithstanding, it shall not be a violation of this section for a firm not holding a valid permit under section 326A.05 and not having an office in this state to provide its professional services in this state so long as it complies with the applicable requirements of section 326A.05, subdivision 1.

Sec. 7. REPEALER.

(a) Minnesota Statutes 2012, section 326A.03, subdivisions 2, 5, and 8, are repealed.

(b) Minnesota Rules, parts 1105.0600; 1105.2550; and 1105.2700, are repealed.

326A.03 CERTIFIED PUBLIC ACCOUNTANT QUALIFICATIONS.

Subd. 2. **Examination before July 1, 2006; required education and experience.** Until July 1, 2006, the examination must be administered by the board only to a candidate who:

(1) holds a master's degree with a major in accounting from a college or university that is fully accredited by a recognized accrediting agency listed with the United States Department of Education;

(2) holds a baccalaureate degree, with a major in accounting, from a college or university that is fully accredited by a recognized accrediting agency listed with the United States Department of Education or who has in the opinion of the board at least an equivalent education;

(3) holds a baccalaureate degree from a college or university that is fully accredited by a recognized accrediting agency listed with the United States Department of Education, or who has in the opinion of the board at least an equivalent education, provided that at least one year of experience of the type specified in subdivision 8 has been completed;

(4) provides evidence of having completed two or more years of study with a passing grade average or above from a college, university, technical college, or a Minnesota licensed private school that is fully accredited by a recognized accrediting agency listed with the United States Department of Education, or who has in the opinion of the board at least an equivalent education, provided that at least three years experience of the type specified in subdivision 8 has been completed; or

(5) holds a diploma as a graduate of an accredited high school, or who has in the opinion of the board at least an equivalent education, provided that at least five years experience of the type specified in subdivision 8 has been completed.

Subd. 5. **Certificate before July 1, 2006; required experience.** Until July 1, 2006, a person who has passed the examination required by this section and who meets all other requirements for a certificate, including payment of required fees, must be granted a certificate as a certified public accountant, providing that the person has completed the following experience requirements of the type specified in subdivision 8 in addition to any experience already required in subdivision 2:

(1) for those whose educational qualifications meet the requirements of subdivision 2, clause (1), the experience requirement is one year;

(2) for those whose educational qualifications meet the requirements of subdivision 2, clause (2), the experience requirement is two years;

(3) for those whose educational and experience qualifications meet the requirements of subdivision 2, clause (3), the additional required experience is two years;

(4) for those whose educational and experience qualifications meet the requirements of subdivision 2, clause (4), the additional required experience is two years; and

(5) for those whose educational and experience qualifications meet the requirements of subdivision 2, clause (5), the additional required experience is one year.

Subd. 8. **Qualifying experience until July 1, 2006.** Until July 1, 2006, qualifying experience includes public accounting experience:

(1) as a staff employee of a certified public accountant, or a firm;

(2) as an auditor in the Office of the Legislative Auditor or State Auditor, or as an auditor or examiner with any other agency of government, if the experience, in the opinion of the board, is equally comprehensive and diversified;

(3) as a self-employed public accountant or as a partner in a firm; or

(4) in any combination of the foregoing capacities.

APPENDIX
Repealed Minnesota Rule: S0086-1

1105.0600 FEES.

The following fees apply:

- A. initial issuance of certificate, \$50;
- B. renewal of certificate with an active status, \$45 per year;
- C. initial CPA firm permits, except for sole practitioners, \$100;
- D. renewal of CPA firm permits, except for sole practitioners and those firms specified in item Q, \$35 per year;
- E. initial issuance and renewal of CPA firm permits for sole practitioners, except for those firms specified in item Q, \$35 per year;
- F. annual late processing delinquency fee for permit, certificate, or registration renewal applications not received prior to expiration date, \$50;
- G. copies of records, per page, 25 cents;
- H. registration of noncertificate holders, nonlicensees, and nonregistrants in connection with renewal of firm permits, \$45 per year;
- I. applications for reinstatement, \$20;
- J. initial registration of a registered accounting practitioner, \$50;
- K. initial registered accounting practitioner firm permits, \$100;
- L. renewal of registered accounting practitioner firm permits, except for sole practitioners, \$35 per year;
- M. renewal of registered accounting practitioner firm permits for sole practitioners, \$35 per year;
- N. CPA examination application, \$40;
- O. CPA examination, fee determined by third-party examination administrator;
- P. renewal of certificates with an inactive status, \$10 per year; and
- Q. renewal of CPA firm permits for firms that have one or more offices located in another state, \$68 per year.

1105.2550 RENEWAL OF CERTIFICATES AFTER 2009.

A. Beginning with certificate renewal applications for calendar year 2010, the board shall renew each certificate as follows:

- (1) for licensees whose last name begins with the letters:
 - (a) A through H, certificates shall be renewed for a three-year period (Cycle A);
 - (b) I through P, certificates shall be renewed for a two-year period (Cycle B); and
 - (c) Q through Z, certificates shall be renewed for a one-year period (Cycle C); and
- (2) renewals of those certificates, after the expiration of the renewals periods specified in subitem (1), shall thereafter follow a three-year cycle.

B. Initial issuances of certificates after January 1, 2010, shall expire on the December 31 following issuance and shall thereafter be renewed so as to place the certificate in the correct renewal cycle established for the licensee's last name in item A.

C. Licensees who have obtained a legal name change shall, upon renewal, have their certificates renewed so as to place the certificate in the correct renewal cycle established for the licensee's last name in item A.

D. Licensees requesting a change in certificate status during the renewal period shall not be entitled to any refund of fees according to part 1105.1000 and can only request a change in status according to this chapter and on a form provided by the board. However, additional fees covering any remaining portion of the renewal period established as a result of items A and B shall be paid if the change in status is to "active." The additional fee is based on a complete calendar year and is not prorated.

E. Licensees electing to change the status of the licensee's active certificate to a status other than active can only do so effective on the January 1 following the licensee's written request for the change and on a form provided by the board. The request shall be accompanied with documentation showing that the licensee completed at least 120 hours of continuing professional education required by this chapter during the three-year period ended June 30 preceding the effective date of the status change, with a minimum of 20 hours each year.

APPENDIX
Repealed Minnesota Rule: S0086-1

F. Notwithstanding the three-year renewal period established by this part and except as provided for in part 1105.3000, item J, at each June 30, licensees holding a certificate with an "active" status shall comply with the one- and three-year continuing professional education requirements in part 1105.3000.

1105.2700 EXPERIENCE REQUIRED FOR CPA EXAMINATION AND INITIAL CERTIFICATE UNTIL JULY 1, 2006.

Subpart 1. **Intent.** It is the intent of this requirement that applicants have had practical public accounting experience of reasonable variety and importance, requiring independent thought and judgment on important accounting, auditing, and income tax matters, consistent with the competence generally expected of a certified public accountant.

Subp. 2. **Measurement.** Experience recognized by the board is measured on the basis of calendar months and days worked by the applicant as an employee on the staff of a certified public accountant in public practice or in qualifying governmental experience or self-employment. Part-time work in public accounting is equivalent in proportion to full-time work, with a maximum of eight hours per day or 40 hours per week. The experience must be verified by the employer. Self-employment experience must be verified by five clients.

Subp. 3. **Audit experience.** Persons claiming audit experience for work with governmental entities shall, for individuals other than auditors in the Office of the Legislative Auditor or State Auditor claiming experience under Minnesota Statutes, section 326A.03, subdivision 8, clause (2):

A. have their audit work directly relied upon by third parties outside of their agency or department and, in the case of federal government employees, have experience at the Federal GS 11 range or higher; or

B. have experience similar to that of the auditors in the Office of the Legislative Auditor and the Office of the State Auditor.

The burden rests with the applicant to demonstrate to the board that other governmental experience should be recognized as qualifying. A written statement must be filed with the board, giving a complete description of the purposes, work standards, and procedures of any position believed to be qualifying. This statement shall be approved by a responsible administrative officer of the applicable governmental unit as determined by the board.

Subp. 4. **Qualifying self-employment.** The board shall consider self-employment experience obtained by an applicant to meet the requirements of Minnesota Statutes, section 326A.03, subdivision 8, if an applicant shows to the satisfaction of the board that the applicant's qualifying self-employment is consistent with the intent in subpart 1 and has included experience or education in:

A. applying a variety of auditing procedures and techniques to the usual and customary financial transactions recorded in the accounting records;

B. preparation of audit working papers covering the audit of the accounts usually found in accounting records;

C. planning programs of audit work including the selection of procedures to be followed;

D. preparation of written explanations and comments on the findings of an audit and on the content of accounting records; and

E. preparation and analysis of financial statements together with explanations and notes.