

SENATE BILL NO. 129—SENATOR HARRIS

PREFILED FEBRUARY 13, 2017

Referred to Committee on Commerce, Labor and Energy

SUMMARY—Amends provisions regarding the regulation of certain accounting firms which perform attest services. (BDR 54-481)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to accountants; eliminating the requirement that an accounting firm which performs attest services but which does not have an office in this State must register with the Nevada State Board of Accountancy; providing that such an accounting firm may perform attest services under the same conditions as it practices and performs non-attest services; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Existing law states that a partnership, corporation, limited-liability company or
2 sole proprietorship that does not have an office in this State shall register with the
3 Nevada State Board of Accountancy if the partnership, corporation, limited-liability
4 company or sole proprietorship performs attest services for a client having his or
5 her home office in this State. (NRS 628.335) Existing law further states that a
6 partnership, corporation, limited-liability company or sole proprietorship that does
7 not have an office in this State may practice public accounting and perform a
8 variety of services, other than attest services, for a client having his or her home
9 office in this State, without registering with the Board if the partnership,
10 corporation, limited-liability company or sole proprietorship meets certain criteria.
11 (NRS 628.335)

12 **Section 2** of this bill eliminates the requirement that a partnership, corporation,
13 limited-liability company or sole proprietorship must register with the Board in
14 order to perform attest services for a client having his or her home office in this
15 State. **Section 2** additionally authorizes such a partnership, corporation, limited-
16 liability company or sole proprietorship to perform attest services for a client
17 having his or her home office in this State without registering only if the
18 partnership, corporation, limited-liability company or sole proprietorship meets the
19 existing criteria for non-attest services.



20 **Sections 1 and 3-6** of this bill make conforming changes necessitated by the
21 revisions to **section 2**.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 628.315 is hereby amended to read as follows:
2 628.315 1. Except as otherwise provided in this chapter, a
3 natural person who holds a valid license as a certified public
4 accountant from any state other than this State shall be deemed to be
5 a certified public accountant for all purposes under the laws of this
6 State other than this chapter.
7 2. A natural person granted practice privileges pursuant to
8 subsection 1 is not required to obtain:
9 (a) A certificate pursuant to NRS 628.190; or
10 (b) A permit pursuant to NRS 628.380.
11 3. A natural person granted practice privileges pursuant to
12 subsection 1 and a partnership, corporation, limited-liability
13 company or sole proprietorship that employs such a person shall be
14 deemed to consent, as a condition of the grant of such practice
15 privileges:
16 (a) To the personal and subject matter jurisdiction, and
17 disciplinary authority, of the Board.
18 (b) To comply with the provisions of this chapter and the
19 regulations of the Board.
20 (c) That, in the event that the license from the state wherein the
21 natural person's principal place of business is located becomes
22 invalid, the natural person will cease offering or engaging in the
23 practice of professional accounting in this State individually and on
24 behalf of a partnership, corporation, limited-liability company or
25 sole proprietorship.
26 (d) To the appointment of the state board that issued the license
27 as the agent upon whom process may be served in any investigation,
28 action or proceeding relating to the natural person or the partnership,
29 corporation, limited-liability company or sole proprietorship by the
30 Board.
31 4. A natural person granted practice privileges pursuant to
32 subsection 1 may perform attest services for a client having his or
33 her home office in this State only if the partnership, corporation,
34 limited-liability company or sole proprietorship that employs the
35 person is registered pursuant to NRS 628.335 **H** *or is exempt from*
36 *registration pursuant to subsection 3 of NRS 628.335.*
37 **Sec. 2.** NRS 628.335 is hereby amended to read as follows:
38 628.335 1. The Board shall grant or renew registration to a
39 partnership, corporation, limited-liability company or sole



1 proprietorship that demonstrates its qualifications therefor in
2 accordance with this chapter.

3 2. A partnership, corporation or limited-liability company with
4 an office in this State shall register with the Board if the partnership,
5 corporation or limited-liability company:

- 6 (a) Performs attest services;
- 7 (b) Performs compilation services;
- 8 (c) Is engaged in the practice of public accounting; or
- 9 (d) Is styled and known as a certified public accountant or uses
10 the abbreviation "C.P.A."

11 3. A partnership, corporation, limited-liability company or sole
12 proprietorship that does not have an office in this State ~~†~~:

13 ~~—(a) Shall register with the Board if the partnership, corporation,~~
14 ~~limited liability company or sole proprietorship performs attest~~
15 ~~services for a client having his or her home office in this State.~~

16 ~~—(b) May†~~ *may* practice public accounting, may perform
17 compilation services or other professional services within the
18 practice of public accounting ~~{other than}~~ , *including, without*
19 *limitation*, attest services , for a client having his or her home office
20 in this State, may be styled and known as a certified public
21 accountant and may use the title or designation "certified public
22 accountant" and the abbreviation "C.P.A." without registering with
23 the Board *only* if:

24 ~~{(1)}~~ (a) Persons who are certified public accountants in any
25 state constitute a simple majority, in terms of financial interests and
26 voting rights of all partners, shareholders, officers, members and
27 principals thereof, of the ownership of the partnership, corporation,
28 limited-liability company or sole proprietorship;

29 ~~{(2)}~~ (b) The partnership, corporation, limited-liability
30 company or sole proprietorship complies with the provisions of
31 subsection 5 of NRS 628.325, if applicable;

32 ~~{(3)}~~ (c) A natural person granted practice privileges
33 pursuant to NRS 628.315 practices such public accounting or
34 performs such compilation services or such other professional
35 services within the practice of public accounting for the client
36 having his or her home office in this State; and

37 ~~{(4)}~~ (d) The partnership, corporation, limited-liability
38 company or sole proprietorship can lawfully perform such services
39 in the state where the natural person described in ~~{subparagraph (3)}~~
40 *paragraph (c)* has his or her principal place of business.

41 4. A natural person granted practice privileges pursuant to NRS
42 628.315 must not be required to obtain a permit from this State
43 pursuant to NRS 628.380 if the person performs such professional
44 services for:



1 (a) Which a partnership, corporation, limited-liability company
2 or sole proprietorship is required to register pursuant to *this section*
3 *or is exempt from registration pursuant to* subsection ~~2 or~~ 3; or

4 (b) A partnership, corporation or limited-liability company
5 registered pursuant to the provisions of NRS 628.325.

6 **Sec. 3.** NRS 628.340 is hereby amended to read as follows:

7 628.340 1. A partnership required to register with the Board
8 pursuant to NRS 628.335 *or which performs attest services and is*
9 *exempt from registration pursuant to subsection 3 of NRS 628.335*
10 must meet the following requirements:

11 (a) At least one general partner must be either a certified public
12 accountant of this State in good standing or, if the partnership ~~is~~
13 ~~required to register~~ *performs attest services and is exempt from*
14 *registration* pursuant to ~~paragraph (a) of~~ subsection 3 of NRS
15 628.335, a natural person granted practice privileges pursuant to
16 NRS 628.315.

17 (b) Each partner who is a resident of this State and is personally
18 and regularly engaged within this State in the practice of public
19 accounting as a member thereof, or whose principal place of
20 business is in this State and who is engaged in the practice of
21 professional accounting in this State, must be a certified public
22 accountant of this State in good standing.

23 (c) Each partner who is personally and regularly engaged in the
24 practice of public accounting in this State must be either a certified
25 public accountant of this State in good standing or, if the partnership
26 ~~is required to register~~ *performs attest services and is exempt from*
27 *registration* pursuant to ~~paragraph (a) of~~ subsection 3 of NRS
28 628.335, a natural person granted practice privileges pursuant to
29 NRS 628.315.

30 (d) Each partner who is regularly engaged in the practice of
31 public accounting within the United States must be a certified public
32 accountant in good standing of some state or jurisdiction of the
33 United States.

34 (e) Each manager in charge of an office of the partnership in this
35 State must be either a certified public accountant of this State in
36 good standing or a natural person granted practice privileges
37 pursuant to NRS 628.315.

38 (f) A corporation or limited-liability company which is
39 registered pursuant to NRS 628.343 or 628.345 *or which is exempt*
40 *from registration pursuant to subsection 3 of NRS 628.335* may be
41 a partner, and a partnership which is registered pursuant to this
42 section *or which is exempt from registration pursuant to*
43 *subsection 3 of NRS 628.335* may be a general partner, in a
44 partnership engaged in the practice of public accounting.



1 2. Application for registration must be made upon the affidavit
2 of ~~either~~ a general partner who holds a live permit to practice in
3 this State as a certified public accountant . ~~for, if the partnership is~~
4 ~~required to register pursuant to paragraph (a) of subsection 3 of NRS~~
5 ~~628.335, a natural person granted practice privileges pursuant to~~
6 ~~NRS 628.315.~~ The Board shall determine whether the applicant is
7 eligible for registration and may charge an initial fee and an annual
8 renewal fee set by the Board by regulation. A partnership which is
9 so registered may use the words “certified public accountants” or
10 the abbreviation “C.P.A.’s” or “CPA’s” in connection with its
11 partnership name. Notice must be given to the Board within 1 month
12 after the admission to or withdrawal of a partner from any
13 partnership so registered.

14 **Sec. 4.** NRS 628.343 is hereby amended to read as follows:

15 628.343 1. A corporation required to register with the Board
16 pursuant to NRS 628.335 *or which performs attest services and is*
17 *exempt from registration pursuant to subsection 3 of NRS 628.335*
18 shall comply with the following requirements:

19 (a) The sole purpose and business of the corporation must be to
20 furnish to the public services not inconsistent with this chapter or
21 the regulations of the Board, except that the corporation may invest
22 its money in a manner not incompatible with the practice of public
23 accounting.

24 (b) The principal officer of the corporation and any officer or
25 director having authority over the practice of public accounting by
26 the corporation must be a certified public accountant of some state
27 in good standing.

28 (c) At least one shareholder of the corporation must be either a
29 certified public accountant of this State in good standing or, if the
30 corporation ~~is required to register~~ *performs attest services and is*
31 *exempt from registration* pursuant to ~~paragraph (a) of~~ subsection 3
32 of NRS 628.335, a natural person granted practice privileges
33 pursuant to NRS 628.315.

34 (d) Each manager in charge of an office of the corporation in
35 this State and each shareholder or director who is regularly and
36 personally engaged within this State in the practice of public
37 accounting must be either a certified public accountant of this State
38 in good standing or, if the corporation ~~is required to register~~
39 *performs attest services and is exempt from registration* pursuant
40 to ~~paragraph (a) of~~ subsection 3 of NRS 628.335, a natural person
41 granted practice privileges pursuant to NRS 628.315.

42 (e) In order to facilitate compliance with the provisions of this
43 section relating to the ownership of stock, there must be a written
44 agreement binding the shareholders or the corporation to purchase
45 any shares offered for sale by, or not under the ownership or



1 effective control of, a qualified shareholder. The corporation may
2 retire any amount of stock for this purpose, notwithstanding any
3 impairment of its capital, so long as one share remains outstanding.

4 (f) The corporation shall comply with other regulations
5 pertaining to corporations practicing public accounting in this State
6 adopted by the Board.

7 2. Application for registration must be made upon the affidavit
8 of ~~either~~ a shareholder who holds a live permit to practice in this
9 State as a certified public accountant . ~~for, if the corporation is~~
10 ~~required to register pursuant to paragraph (a) of subsection 3 of NRS~~
11 ~~628.335, a natural person granted practice privileges pursuant to~~
12 ~~NRS 628.315.~~ The Board shall determine whether the applicant is
13 eligible for registration and may charge an initial fee and an annual
14 renewal fee set by the Board by regulation. A corporation which is
15 so registered may use the words "certified public accountants" or
16 the abbreviation "C.P.A.'s" or "CPA's" in connection with its
17 corporate name. Notice must be given to the Board within 1 month
18 after the admission to or withdrawal of a shareholder from any
19 corporation so registered.

20 **Sec. 5.** NRS 628.345 is hereby amended to read as follows:

21 628.345 1. A limited-liability company required to register
22 with the Board pursuant to NRS 628.335 *or which performs attest*
23 *services and is exempt from registration pursuant to subsection 3*
24 *of NRS 628.335* shall comply with the following requirements:

25 (a) The sole purpose and business of the limited-liability
26 company must be to furnish to the public services not inconsistent
27 with this chapter or the regulations of the Board, except that the
28 limited-liability company may invest its money in a manner not
29 incompatible with the practice of public accounting.

30 (b) The manager, if any, of the limited-liability company must
31 be a certified public accountant of some state in good standing.

32 (c) At least one member of the limited-liability company must
33 be either a certified public accountant of this State in good standing
34 or, if the limited-liability company ~~is required to register~~ *performs*
35 *attest services and is exempt from registration* pursuant to
36 ~~paragraph (a) of~~ subsection 3 of NRS 628.335, a natural person
37 granted practice privileges pursuant to NRS 628.315.

38 (d) Each person in charge of an office of the limited-liability
39 company in this State and each member who is regularly and
40 personally engaged within this State in the practice of public
41 accounting must be either a certified public accountant of this State
42 in good standing or, if the limited-liability company ~~is required to~~
43 ~~register~~ *performs attest services and is exempt from registration*
44 pursuant to ~~paragraph (a) of~~ subsection 3 of NRS 628.335, a
45 natural person granted practice privileges pursuant to NRS 628.315.



1 (e) In order to facilitate compliance with the provisions of this
2 section relating to the ownership of interests, there must be a written
3 agreement binding the members or the limited-liability company to
4 purchase any interest offered for sale by, or not under the ownership
5 or effective control of, a qualified member.

6 (f) The limited-liability company shall comply with other
7 regulations pertaining to limited-liability companies practicing
8 public accounting in this State adopted by the Board.

9 2. Application for registration must be made upon the affidavit
10 of the manager or a member of the limited-liability company. The
11 affiant must hold a live permit to practice in this State as a certified
12 public accountant . ~~for, if the limited liability company is required~~
13 ~~to register pursuant to paragraph (a) of subsection 3 of NRS~~
14 ~~628.335, be a natural person granted practice privileges pursuant to~~
15 ~~NRS 628.315.~~ The Board shall determine whether the applicant is
16 eligible for registration and may charge an initial fee and an annual
17 renewal fee set by the Board by regulation. A limited-liability
18 company which is so registered may use the words “certified public
19 accountants” or the abbreviation “C.P.A.’s” or “CPA’s” in
20 connection with its name. Notice must be given to the Board within
21 1 month after the admission to or withdrawal of a member from any
22 limited-liability company so registered.

23 **Sec. 6.** NRS 628.435 is hereby amended to read as follows:

24 628.435 1. A practitioner shall comply with all professional
25 standards for accounting and documentation related to an attestation
26 applicable to particular engagements.

27 2. Except as otherwise provided in this section and in all
28 professional standards for accounting and documentation related to
29 an attestation applicable to particular engagements, a practitioner
30 shall retain all documentation related to an attestation for not less
31 than 5 years after the date of the report containing the attestation.

32 3. Documentation related to an attestation that, at the end of the
33 retention period set forth in subsections 1 and 2, is a part of or
34 subject to a pending investigation of, or disciplinary action against,
35 a practitioner must be retained and must not be destroyed until the
36 practitioner has been notified in writing that the investigation or
37 disciplinary action has been closed or concluded.

38 4. As used in this section:

39 (a) “Documentation related to an attestation” includes, without
40 limitation:

41 (1) All documentation relating to consultations and
42 resolutions of any differences of professional opinion regarding the
43 exercise of professional judgment relating to an attestation; and

44 (2) Documentation of the findings or issues related to the
45 attestation that, based on the judgment of the practitioner after an



1 objective analysis of the facts and circumstances, is determined to
2 be significant, regardless of whether the documentation includes
3 information or data that is inconsistent with the final conclusions of
4 the practitioner.

5 (b) "Practitioner" means:

6 (1) A holder of a certificate issued pursuant to NRS 628.190
7 to 628.310, inclusive, any registration or license granted to a
8 registered public accountant pursuant to NRS 628.350 or a permit
9 issued pursuant to NRS 628.380;

10 (2) A partnership, corporation, limited-liability company or
11 sole proprietorship registered pursuant to NRS 628.335 ~~+~~ ***or***
12 ***performing attest services while exempt from registration pursuant***
13 ***to subsection 3 of NRS 628.335;*** or

14 (3) A natural person granted practice privileges pursuant to
15 NRS 628.315.

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