

# Senate Study Bill 2015

## Conference Committee Text

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1 1 Section 1. Section [542C.2](#), Code 1995, is amended to read  
1 2 as follows:

1 3 542C.2 DEFINITIONS.

1 4 As used in this chapter, unless the context otherwise  
1 5 requires:

1 6 1. "Accounting practitioner" means a person licensed by  
1 7 the board as provided in this chapter, who does not hold a  
1 8 certificate as a certified public accountant under this  
1 9 chapter, and who offers to perform or performs for the public,  
1 10 and for compensation, any of the following services:  
1 11

~~1.~~

- a. The recording of financial transactions in books of  
1 12 record.

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~~2.~~

- b. The making of adjustments of such transactions in  
1 14 books of record.

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~~3.~~

- c. The making of trial balances from books of record.

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~~4.~~

- d. Internal verification and analysis of books or  
1 17 accounts of original entry.

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- e. The preparation of financial statements, schedules,  
1 19 or reports.

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~~6.~~

- f. The devising and installing of systems or methods of  
1 21 bookkeeping, internal controls of financial data, or the  
1 22 recording of financial data.

1 23 Nothing contained in this definition or elsewhere in this  
1 24 chapter shall be construed to permit an accounting  
1 25 practitioner to give an opinion attesting to the reliability  
1 26 of any representation embracing financial information as  
1 27 defined in section 542C.25, subsections 8 and 9. Any  
1 28 transmittal letters and titles to financial statements  
1 29 included in reports prepared by accounting practitioners shall  
1 30 be labeled as unaudited.

1 31 2. "Commission" includes brokerage or other participation  
1 32 fees. "Commission" does not include a contingent fee.

1 33 3. "Contingent fee" means a fee established for the  
1 34 performance of any service pursuant to an arrangement under  
1 35 which a fee will not be charged unless a specified finding or  
2 1 result is attained, or under which the amount of the fee is  
2 2 otherwise dependent upon the finding or result of such  
2 3 service. "Contingent fee" does not mean a fee fixed by a

2 4 court or other public authority, or a fee related to any tax  
2 5 matter which is based upon the results of a judicial  
2 6 proceeding or the findings of a governmental agency.

2 7 4. "Practice of public accounting" means the performance  
2 8 or the offering to perform, by a person holding oneself out to  
2 9 the public as a certified public accountant or accounting  
2 10 practitioner, one or more kinds of services involving the use  
2 11 of accounting or auditing skills, including the issuance of  
2 12 reports on financial statements, or of one or more kinds of  
2 13 management advisory, financial advisory, or consulting  
2 14 services, or the preparation of tax returns or the furnishing  
2 15 of advice on tax matters.

2 16 Sec. 2. Section 542C.3, subsection 4, paragraph d, Code  
2 17 1995, is amended by striking the paragraph.

2 18 Sec. 3. Section 542C.3, subsection 5, paragraph b, Code  
2 19 1995, is amended by striking the paragraph.

2 20 Sec. 4. Section 542C.3, Code 1995, is amended by adding  
2 21 the following new subsection:

2 22 NEW SUBSECTION. 5A. A certified public accountant or  
2 23 accounting practitioner may accept commissions or contingent  
2 24 fees subject to the following:

2 25 a. (1) A certified public accountant or accounting  
2 26 practitioner shall not for a commission recommend or refer to  
2 27 a client any product or service, shall not for a commission  
2 28 recommend or refer any product or service to be supplied by a  
2 29 client, and shall not receive a commission from a client, if  
2 30 the certified public accountant or accounting practitioner, or  
2 31 a person associated with the certified public accountant or  
2 32 accounting practitioner in the practice of public accounting,  
2 33 also performs for that client any of the following:

2 34 (a) An audit or review of a financial statement.

2 35 (b) A compilation of a financial statement if the  
3 1 certified public accountant or accounting practitioner  
3 2 expects, or reasonably might expect, that a third party will  
3 3 use the financial statement, and the compilation report, of  
3 4 which the financial statement is a part, does not disclose a  
3 5 lack of independence.

3 6 (c) An examination of prospective financial information.

3 7 (2) The prohibition in subparagraph (1) applies during the  
3 8 period in which the certified public accountant or accounting  
3 9 practitioner, or a person associated with the certified public  
3 10 accountant or accounting practitioner in the practice of  
3 11 public accounting, is engaged to perform any of the services  
3 12 listed in subparagraph (1), subparagraph subdivision (a), (b),  
3 13 or (c), and the period covered by any historical financial  
3 14 statements related to such services.

3 15 (3) A certified public accountant or accounting  
3 16 practitioner engaged in the practice of public accounting who  
3 17 is not prohibited from performing services for a commission or  
3 18 receiving a commission, and who is paid or expects to be paid  
3 19 a commission, shall disclose that fact to any person or entity  
3 20 to whom the certified public accountant or accounting  
3 21 practitioner recommends or refers a product or service to  
3 22 which the commission relates.

3 23 b. A certified public accountant or accounting  
3 24 practitioner engaged in the practice of public accounting  
3 25 shall not receive or agree to receive a contingent fee from a  
3 26 client for either of the following:

3 27 (1) Performance of any professional services for a client  
3 28 for whom the certified public accountant or accounting  
3 29 practitioner, or person associated with the public accountant  
3 30 or accounting practitioner in the practice of public  
3 31 accounting, performs any of the following:

3 32 (a) An audit or review of a financial statement.

3 33 (b) A compilation of a financial statement if the  
3 34 certified public accountant or accounting practitioner  
3 35 expects, or reasonably might expect, that a third party will

4 1 use the financial statement, and the compilation report, of  
4 2 which the financial statement is a part, does not disclose a  
4 3 lack of independence.

4 4 (c) An examination of prospective financial information.

4 5 (2) Preparation of an original or amended tax return or  
4 6 claim for a tax refund.

4 7 The prohibition in subparagraph (1) applies during the  
4 8 period in which the certified public accountant or accounting  
4 9 practitioner is engaged to perform any of the services listed  
4 10 in subparagraph (1), subparagraph subdivision (a), (b), or  
4 11 (c), and the period covered by any historical financial  
4 12 statements involved related to such services.

4 13 c. A certified public accountant or accounting  
4 14 practitioner who accepts a referral fee for recommending or  
4 15 referring any service of a certified public accountant or  
4 16 accounting practitioner to any person or entity, or who pays a  
4 17 referral fee to obtain a client, shall disclose the acceptance  
4 18 or payment of such fee to the client.

4 19 d. A fee charged by a certified public accountant or  
4 20 accounting practitioner may vary depending on the complexity  
4 21 of the services rendered.

4 22 Sec. 5. Section [542C.3](#), subsection 6, Code 1995, is  
4 23 amended to read as follows:

4 24 6. The board shall establish rules relative to the conduct  
4 25 of practice as a certified public accountant and accounting  
4 26 practitioner in respect to the enumerated items in subsections  
4 27 4.

~~and~~

- 5, and 5A, but this direction is not a limitation upon  
4 28 the rights of the board to make and adopt any rules relating  
4 29 to the conduct of certified public accountants or accounting  
4 30 practitioners which are not specifically enumerated in this  
4 31 chapter.

#### 4 32 EXPLANATION

4 33 This bill establishes limitations on when a commission or a  
4 34 contingent fee may be paid to a certified public accountant or  
4 35 an accounting practitioner.

5 1 Section 542C.2 is amended by adding definitions for the  
5 2 terms "commission" and "contingent fee".

5 3 Section 542C.3 is amended by striking contingent fees from  
5 4 the list of items concerning which the board is to adopt  
5 5 rules. The section is also amended by striking language  
5 6 prohibiting the acceptance of a commission, brokerage, or  
5 7 other participation in the fees, charges, or profits of work  
5 8 recommended or turned over to the laity as incident to  
5 9 services for clients.

5 10 Section 542C.3 is amended by creating a new subsection 5A  
5 11 which relates to the fees and commissions which a certified  
5 12 public accountant or accounting practitioner may accept. The  
5 13 subsection provides that a certified public accountant or  
5 14 accounting practitioner shall not for a commission recommend  
5 15 or refer to a client any product or service, shall not for a  
5 16 commission recommend or refer any product or service to be  
5 17 supplied by a client, and shall not receive a commission from  
5 18 a client, when the certified public accountant or accounting  
5 19 practitioner, or a person associated with the certified public  
5 20 accountant or accounting practitioner in the practice of  
5 21 public accounting, also performs certain other identified  
5 22 services for that client. The subsection also prohibits a  
5 23 certified public accountant or accounting practitioner from  
5 24 accepting a contingent fee from a client if certain other  
5 25 identified services are performed for the client, and  
5 26 prohibits the acceptance of a contingent fee for the  
5 27 preparation of an original or amended tax return or claim for  
5 28 a tax refund.

