

Senate File 237 - Introduced

SENATE FILE 237
BY COMMITTEE ON STATE
GOVERNMENT

(SUCCESSOR TO SSB 1033)

A BILL FOR

- 1 An Act relating to the practice of public accountants.
- 2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 542.3, subsection 27, Code 2017, is
2 amended to read as follows:

3 27. "State" means a state of the United States, the District
4 of Columbia, Puerto Rico, the United States Virgin Islands, the
5 Commonwealth of the Northern Mariana Islands, or Guam.

6 Sec. 2. Section 542.6, subsection 1, paragraph b, Code 2017,
7 is amended to read as follows:

8 b. The holder of a certificate issued under this section
9 shall only provide attest services in a certified public
10 accounting firm that is issued a permit under section 542.7,
11 or through a certified public accounting firm with a practice
12 privilege under section 542.20.

13 Sec. 3. Section 542.7, subsection 1, paragraphs a and c,
14 Code 2017, are amended to read as follows:

15 a. A firm must hold a permit issued under this section if
16 the firm ~~performs attest services in this state or for clients~~
17 ~~having a home office in this state or~~ has an office in this
18 state and uses the title "CPAs", "CPA firm", "certified public
19 accountants", or "certified public accounting firm".

20 c. A firm that holds a permit issued under this chapter
21 shall designate to the board the licensee or ~~person with a~~
22 ~~practice privilege under section 542.20~~ nonlicensee who is
23 responsible for the proper licensure of the firm and the
24 firm's compliance with all applicable laws and rules of this
25 state. If such firm has one or more offices in this state, the
26 firm shall designate to the board one or more persons who are
27 licensed under this chapter who are responsible for the proper
28 registration of each Iowa office of the firm and each office's
29 compliance with all applicable laws and rules of this state.

30 Sec. 4. Section 542.8, subsection 12, paragraph b,
31 subparagraph (2), Code 2017, is amended to read as follows:

32 (2) All nonlicensee owners are of good moral character and
33 active participants in the firm or an affiliated entity.

34 Sec. 5. Section 542.8, subsection 12, paragraphs c and d,
35 Code 2017, are amended to read as follows:

1 *c.* An individual licensee or person with a practice
2 privilege under [section 542.20](#) who is responsible for
3 compilation services and signs or authorizes someone to sign
4 the accountant's report ~~on the financial statements~~ on behalf
5 of the firm shall meet the competency requirements set out in
6 nationally recognized professional standards for such services.

7 *d.* An individual licensee or person with a practice
8 privilege under [section 542.20](#) who signs or authorizes someone
9 to sign the accountant's report ~~on the financial statements~~ on
10 behalf of the firm shall meet the competency requirements set
11 out in nationally recognized professional standards for such
12 services.

13 Sec. 6. Section 542.20, subsection 5, Code 2017, is amended
14 to read as follows:

15 5. A certified public accounting firm that is licensed
16 in the state of its principal place of business and is not
17 required to hold an Iowa firm license under [section 542.7](#)
18 may practice in this state without a firm license under this
19 chapter or notice to the board if the firm's practice in this
20 state is performed by individuals who hold a license under this
21 chapter or who practice in conformance with [subsection 6](#), under
22 the following conditions:

23 ~~*a.* The firm shall not perform attest services, other than~~
24 ~~review services, in Iowa or for a client having a home office~~
25 ~~in Iowa.~~

26 ~~*b.*~~ *a.* The firm shall not have an office in Iowa which uses
27 the title "CPAs", "CPA firm", "certified public accountants",
28 or "certified public accounting firm".

29 ~~*c.* The firm may perform compilation or review services only~~
30 ~~if it complies with the ownership and peer review requirements~~
31 ~~of [section 542.7](#).~~

32 ~~*d.*~~ *b.* The firm shall not make any representation tending to
33 falsely indicate that the firm is licensed under [this chapter](#).

34 ~~*e.*~~ *c.* The firm, upon a client's or prospective client's
35 request, shall provide accurate information on the state or

1 states of licensure, principal place of business, contact
2 information, and manner in which licensure status can be
3 verified.

4 ~~f.~~ d. The firm shall comply with all professional
5 standards, laws, and rules that apply to licensees performing
6 the same professional services.

7 e. The firm shall comply with the ownership and peer review
8 requirements of section 542.7.

9 Sec. 7. Section 542.20, subsection 6, paragraph c, Code
10 2017, is amended to read as follows:

11 c. An individual who provides attest services, ~~other than~~
12 ~~review services~~, in Iowa or for a client having a home office
13 in Iowa must practice through a certified public accounting
14 firm that is licensed under section 542.7, or through a
15 certified public accounting firm that is validly licensed in
16 the state of its principal place of business and complies with
17 the ownership and peer review requirements of section 542.7.

18 Sec. 8. Section 542.20, subsection 6, paragraph h, Code
19 2017, is amended by striking the paragraph.

20 EXPLANATION

21 The inclusion of this explanation does not constitute agreement with
22 the explanation's substance by the members of the general assembly.

23 This bill modifies provisions relating to the practice of
24 public accountants.

25 The bill adds the Commonwealth of the Northern Mariana
26 Islands to the definition of "state" in Code section 542.3(27).

27 Code section 542.6(1)(b) provides that certified public
28 accountants (CPAs) may only provide attest services in a firm
29 that is issued a permit under Code section 542.7. The bill
30 allows CPAs to also provide attest services through firms with
31 practice privileges as defined in Code section 542.3(24).

32 Code section 542.7(1)(a) requires a firm to obtain a permit
33 if it performs certain attest services in Iowa or if it has an
34 office in Iowa and uses certain titles. The bill removes a
35 firm performing attest services in Iowa from the type of firms

1 requiring a permit.

2 Code section 542.7(1)(c) requires a firm issued a permit to
3 designate to the board the licensee or person with a practice
4 privilege who is responsible for the firm's licensure and
5 legal compliance. The bill replaces "person with a practice
6 privilege" with "nonlicensee".

7 Code section 542.8(12)(b) lists the conditions required for
8 a licensed public accounting (LPA) firm to have a nonlicensee
9 owner. The bill requires a nonlicensee owner to be of good
10 moral character in addition to all other current requirements.

11 Code section 542.8(12)(c) and (d) requires a licensee or
12 person with a practice privilege who is authorized to sign an
13 accountant's report on financial statements on behalf of an LPA
14 firm to meet certain competency requirements. The bill removes
15 "financial statements" in reference to a report requiring these
16 additional competency requirements.

17 Code section 542.20(5) lists the conditions required for a
18 CPA firm to hold practice privileges without needing to obtain
19 a firm license. The bill removes the condition that a firm
20 cannot perform attest services in Iowa, and the condition that
21 a firm may perform compilation or review services only if it
22 complies with the Iowa ownership and peer review requirements.
23 However, the bill adds as a separate condition that a firm must
24 comply with the Iowa ownership and peer review requirements.

25 Code section 542.20(6) lists the conditions required for a
26 person to hold the practice privileges of a CPA without needing
27 to obtain a certificate. Under Code section 542.20(6)(c),
28 a person who provides attest services in Iowa must practice
29 through an Iowa-licensed CPA firm. The bill broadens the types
30 of attesting services applicable in such condition, and allows
31 a person to also practice through a CPA firm that is validly
32 licensed in the state of its principal place of business and
33 complies with the Iowa ownership and peer review requirements.
34 The bill also removes the condition that a person who provides
35 reviews of certain financial statements must provide such

1 services through a CPA firm that is validly licensed in the
2 state of its principal place of business and complies with the
3 Iowa ownership and peer review requirements.