

Senate Fiscal Agency
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SFA



BILL ANALYSIS

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House Bill 5120 (Substitute H-1 as discharged)
Sponsor: Representative Barbara Dobb
House Committee: Regulatory Affairs
Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 12-22-97

RATIONALE

Earlier this year, Public Act 10 of 1997 amended the Occupational Code to revise certified public accountant (CPA) regulations. These amendments include a provision that at least two-thirds (rather than all) of the individuals holding voting and equity rights of a firm must be CPAs. Professional service corporations are included in the Code's definition of "firm" (a corporation, partnership, limited liability company, unincorporated association, sole proprietorship operating under an assumed name, or other legal entity.) The Professional Service Corporation Act permits various licensed professionals, including attorneys, physicians, and accountants, to incorporate as professional service corporations. All shareholders of a professional service corporation, however, must be licensed in one or more of the professional services provided by the corporation. It has been suggested that the Act should reflect the changes that were made into law regarding requirements for CPAs and should specify that for professional service corporations, the non-CPA members would have to be licensed, either in Michigan or another state, to provide a professional service offered by the corporation.

CONTENT

The bill would amend the Professional Service Corporation Act to allow a professional corporation to engage in the practice of public accounting if at least two-thirds of the shareholders were licensed as certified public accountants in Michigan or other states (or the equivalent in another licensing jurisdiction acceptable to the Board of Accountancy), and all other shareholders were licensed or legally authorized to render a professional service offered by the corporation.

Currently, a professional corporation may provide

one or more professional services but each shareholder must be licensed in one or more of the professional services provided by the corporation. If the professional corporation provides a professional service included in the Public Health Code, however, all shareholders of the corporation must be licensed or legally authorized to provide the same professional service. In addition, a professional corporation may have a licensed person of another jurisdiction as an officer, director, shareholder, employee, or agent of the corporation, but must not have him or her provide any professional service in the State unless he or she is legally authorized to do so.

MCL 450.224

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would reflect the changes made in the Code to allow CPA firms to organize with only two-thirds of the shareholders being licensed CPAs. The bill would make it clear, however, that the remaining non-CPA shareholders would have to be licensed in this State or another state to perform at least one of the services offered by the professional service corporation. This would accommodate CPA firms that offer diversified services and wish to operate as professional corporations.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.