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SFA BILL ANALYSIS

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Senate Bill 1238 through 1241 (as enrolled) **PUBLIC ACTS 333 through 336 of 2000**
Sponsor: Senator Bev Hammerstrom (S.B. 1238)
Senator Dale L. Shugars (S.B. 1239)
Senator Thaddeus G. McCotter (S.B. 1240)
Senator Bill Schuette (S.B. 1241)
Senate Committee: Economic Development, International Trade and Regulatory Affairs
House Committee: Insurance and Financial Services

Date Completed: 1-30-01

RATIONALE

The Uniform Accountancy Act is a model law developed by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy to provide a uniform approach to the regulation of the accounting profession. In May 1997, a joint committee of these bodies issued a report that provided numerous recommendations for improving the state-based regulatory system for the accounting profession. One of the recommendations called for a simple majority, instead of at least two-thirds, of owners of a CPA firm to be CPAs.

According to the Department of Consumer and Industry Services, a number of changes in the practice and corporate structure of certified public accountant (CPA) firms have occurred in recent years. As the business community evolves into the global market, CPA firms are expanding their scope of practice well beyond the traditional accounting, auditing, and taxation services to offer a broader range of services such as personal finance planning, technology consulting, and management. As a result, CPA firms are employing more individuals who have expertise and knowledge in these fields but are not necessarily licensed CPAs. Many people believe that this new focus of diversified services should be reflected in the structure of these CPA firms, and that some of the restrictions regarding the organization of accounting firms were no longer desirable or necessary.

CONTENT

The bills amended various laws regarding the ownership of accounting firms to delete requirements that at least two-thirds of the owners be CPAs.

Senate Bill 1238 amended the Michigan Limited Liability Company Act to delete a provision that permitted a professional limited liability company to engage in the practice of public accounting if at least two-thirds of the equity and voting rights of the professional limited liability company were held by individuals licensed as CPAs in Michigan or another state or the equivalent in another licensing jurisdiction acceptable to the Board of Accountancy.

Senate Bill 1239 amended the Occupational Code to provide that a simple majority (rather than two-thirds) of the equity and voting rights of a public accounting firm must be held by individuals who are licensed as CPAs in Michigan or another state or the equivalent in another jurisdiction acceptable to the Board.

Senate Bill 1240 amended the Professional Service Corporation Act to delete a provision that permitted a professional corporation to engage in the business of public accounting if at least two-thirds of the shareholders were licensed in good standing as CPAs of this or another state 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.

Senate Bill 1241 amended the Michigan Limited Liability Company Act to delete services rendered by a certified or other public accountant from the definition of "services in a learned profession".

(The Act provides that a limited liability company formed to provide services in a learned profession, or more than one learned profession, must comply with Article 9 of the Act. Article 9 addresses professional limited liability companies and includes certified or other public accountants under the definition of "professional service".)

MCL 450.4904 (S.B. 1238)
339.728 (S.B. 1239)
450.224 (S.B. 1240)
450.4102 (S.B. 1241)

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 bills recognize that CPA firms are expanding their services and need to employ a significant number of non-CPAs to provide valuable related services such as financial planning and technology consulting, in order to satisfy new and existing clients and the public. The bills do not change the scope of practice of the accounting profession but allow accounting firms to provide more flexibility in the structure and organization of their business, and give non-CPAs a greater opportunity to become partners, officers, and shareholders of an accounting firm.

Also, updating the laws regarding the organization and structure of CPA firms conforms to changes recommended by the joint committee of the professional accountancy organizations.

FISCAL IMPACT

The bills will have no fiscal impact on State or local government.

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