GENERAL ASSEMBLY
COMMONWEALTH OF KENTUCKY

2015 REGULAR SESSION

HOUSE BILL NO. 363

MONDAY, MARCH 2, 2015

The following bill was reported to the Senate from the House and ordered to be printed.

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ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY K. Adler

1 AN ACT relating to accountancy.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 325.220 is amended to read as follows:

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

5 (1) "Board" means the State Board of Accountancy;

6 (2) "State" includes and means any state, territory, or insular possession of the United
7 States, or the District of Columbia;

8 (3) "Public accountant" means a public accountant issued a license to practice by the
9 Commonwealth of Kentucky under the Public Accounting Act of 1946 as amended;

10 (4) ***(a) "Regulated activities" means the offering to perform or the performance***
11 ***for a client or potential client by a person or firm holding a license issued***
12 ***under this chapter of one (1) or more types of services involving the use of***
13 ***accounting, attest, or compilation services, including the issuance of reports***
14 ***on financial statements, or one (1) or more types of management advisory,***
15 ***financial advisory, or consulting services, or the preparation of tax returns***
16 ***or the furnishing of advice on tax matters.***

17 ***(b) Notwithstanding paragraph (a) of this subsection, this definition shall not***
18 ***prohibit anyone who is not a certified public accountant from performing***
19 ***accounting and bookkeeping services, as well as the preparation of tax***
20 ***returns or financial statements, for which attestation by the preparer is not***
21 ***required. The board shall promulgate an administrative regulation defining***
22 ***terms, as necessary, that are not included in this chapter.***

23 ***(5)*** "Attest service" means providing the following~~[financial statement]~~ services:

24 (a) Any audit or other engagement subject to and to be performed in accordance
25 with the current versions of the American Institute of Certified Public
26 Accountants (AICPA) Statements on Auditing Standards (SAS), and
27 Government Auditing Standards issued by the United States Government

1 Accountability Office;

2 (b) Any review~~[or compilation]~~ of a financial statement subject to and to be
3 performed in accordance with the current versions of the American Institute of
4 Certified Public Accountants (AICPA) Statements on Standards for
5 Accounting and Review Services (SSARS);

6 (c) Any examination of prospective financial information or other professional
7 services to be performed in accordance with the current versions of the
8 American Institute of Certified Public Accountants (AICPA) Statements on
9 Standards for Attestation Engagements (SSAE);~~[or]~~

10 (d) Any engagement to be performed in accordance with the Public Company
11 Accounting Oversight Board Auditing Standards; ***and***

12 ***(e) Any examination, review, or agreed upon procedures engagement to be***
13 ***performed in accordance with the SSAE, other than an examination***
14 ***described in paragraph (c) of this subsection.***

15 ~~[(5) "Regulated activities" means the offering to perform or the performance for a client~~
16 ~~or potential client by a person or firm holding a license issued under this chapter of~~
17 ~~one (1) or more types of services involving the use of accounting, attest, or~~
18 ~~compilation services, including the issuance of reports on financial statements, or~~
19 ~~one (1) or more types of management advisory, financial advisory, or consulting~~
20 ~~services, or the preparation of tax returns or the furnishing of advice on tax matters.~~
21 ~~This definition shall not prohibit anyone who is not a certified public accountant~~
22 ~~from performing accounting services, such as the preparation of tax returns or~~
23 ~~financial statements, for which attestation by the preparer is not required;]~~

24 (6) "Firm" means a sole proprietorship, partnership, professional service corporation, or
25 any other form of business organization that is authorized to operate under the laws
26 of this Commonwealth, complies with the provisions of this chapter, and is issued a
27 license to practice by the board or is exempt from having to obtain a license

1 pursuant to KRS 325.301;
2 (7) "Firm manager" means a licensee of this state or another state designated by a firm
3 to be responsible for the firm complying with the firm registration and firm
4 licensing requirements contained in this chapter and administrative regulations
5 promulgated thereunder;
6 (8) "License" means a license as a certified public accountant or a firm issued pursuant
7 to this chapter;
8 (9) "Licensee" means a certified public accountant, firm, or public accountant, holding
9 a license to practice issued under this chapter;
10 (10) "Peer review" means a practice monitoring process designed to promote quality in
11 accounting and auditing services, and protect the public interest. The process shall
12 comply with standards that are equivalent to or more stringent than the current
13 version of the Standards for Performing and Reporting on Peer Reviews issued by
14 the American Institute of Certified Public Accountants (AICPA);
15 (11) "Peer review committee" means any person or persons administering a peer review
16 program that is equivalent to or more stringent than a program as outlined in the
17 American Institute of Certified Public Accountants (AICPA)'s current version of the
18 Standards for Performing and Reporting on Peer Reviews, including provisions that
19 provide guidance for administering peer reviews;~~[and]~~
20 ***(12) "Report," when used with reference to any attest or compilation service, means***
21 ***an opinion, report, or other form of language that states or implies assurance as***
22 ***to the reliability of the attested information on financial statements and that also***
23 ***includes or is accompanied by any statement or implication that the person or***
24 ***firm issuing it has special knowledge or competence in accounting or auditing.***
25 ***Such a statement or implication of special knowledge or competence may arise***
26 ***from use by the issuer of the report of names or titles indicating that the person***
27 ***or firm is an accountant or auditor, or from the language of the report itself. The***

1 ***term "report" includes any form of language which disclaims an opinion when***
2 ***such form of language is conventionally understood to imply any positive***
3 ***assurance as to the reliability of the attested information or compiled financial***
4 ***statements referred to or special competence on the part of the person or firm***
5 ***issuing such language; and it includes any other form of language that is***
6 ***conventionally understood to imply such assurance or such special knowledge or***
7 ***competence; and***
8 *(13)*[~~(12)~~] "Substantial equivalency" means a determination by the board or its designee
9 that the education, examination, and experience requirements in the statutes and
10 administrative regulations of another state for the licensing of a certified public
11 accountant are comparable or better than those contained in the Uniform
12 Accountancy Act issued by the American Institute of Certified Public Accountants
13 (AICPA) and National Association of State Boards of Accountancy (NASBA), or
14 that an individual certified public accountant's education, examination, and
15 experience qualifications are comparable or exceed these national standards.
16 ➔Section 2. KRS 325.261 is amended to read as follows:
17 The license of "certified public accountant" shall be granted by the board to any person
18 who satisfies the following requirements:
19 (1) Is no less than eighteen (18) years of age;
20 (2) Is of good moral character;
21 (3) Has a baccalaureate degree or master's degree conferred by a college or university
22 recognized by the board with a major or concentration in accounting or its
23 equivalent, as defined in administrative regulations promulgated by the board;
24 (4) Passes a board-approved examination in accounting, auditing, and other related
25 subjects as the board deems appropriate. To be eligible to apply for the examination,
26 a person shall first satisfy the requirement of subsections (1) to (3) of this section;
27 (5) Completes one hundred fifty (150) college semester hours that include a

1 baccalaureate or masters degree conferred by a college or university recognized by
2 the board with a major or concentration in accounting or its equivalent, as defined
3 in administrative regulations promulgated by the board;
4 (6) Obtains one (1) year of accounting or attest experience while employed in an
5 accounting or auditing position in public practice,~~[academia,]~~ industry, or
6 government that shall be verified by a certified public accountant who, during the
7 time being verified, held an active license to practice from any state. The one (1)
8 year of experience required under this subsection shall be obtained:
9 (a) After the completion of the education requirements established in subsection
10 (3) of this section; and
11 (b) ***Within***~~[Effective January 1, 2011, within]~~ five (5) years from the ***date***~~[last~~
12 ~~day of the testing window during which]~~ the candidate successfully completed
13 the examination;
14 (7) At the time of applying for a license is a United States citizen, a citizen of a foreign
15 country who is legally residing in the United States, or is an employee of a public
16 accounting firm, company, or an institution of postsecondary education located
17 outside the United States, but which has an office or campus located in the United
18 States; and
19 (8) Submits a complete application for a license to practice as a certified public
20 accountant in accordance with KRS 325.330.
21 ➔Section 3. KRS 325.270 is amended to read as follows:
22 (1) Examinations provided for in this chapter shall be authorized by the board.
23 (2) The board may by administrative regulation adopt standards and fees governing the
24 application and all examination policies and procedures.
25 (3) The board may accept examination results from other states if:
26 (a) It is established that the examination is the same or substantially similar to the
27 one adopted by the board; and

1 (b) The candidate has met the prerequisite examination requirements of this
2 chapter.
3 (4) An examination candidate who passes all sections of the examination~~[after January~~
4 ~~1, 2011,]~~ shall apply for a license within five (5) years from the ***date***~~[last day of the~~
5 ~~testing window during which]~~ the~~[examination]~~ candidate successfully completed
6 the examination. Failure to apply for a license prior to the expiration of the five (5)
7 year period shall result in cancellation of the examination scores~~[unless the~~
8 ~~candidate completes the requirements to reinstate his or her scores, as established by~~
9 ~~administrative regulations promulgated by the board]~~.
10 ➔Section 4. KRS 325.280 is amended to read as follows:
11 (1) The board may issue a license to practice by reciprocity, if the applicant submits an
12 application for a license to practice any regulated activity, upon forms approved by
13 the board, that includes all required fees, in the amounts as determined by
14 administrative regulation promulgated by the board, and meets the following
15 requirements:
16 (a) The applicant received a grade on the Uniform Certified Public Accountants
17 Examination in another state that was equivalent to a passing grade at the time
18 in this Commonwealth;
19 (b) The applicant holds a valid active license, and is in good standing as a
20 certified public accountant, issued under the laws of any other state; and
21 (c) 1. The applicant meets all current experience requirements in this
22 Commonwealth at the time application is made; or
23 2. Within the ten (10) years immediately preceding the application, had
24 four (4) years of experience in the practice of the regulated activities
25 acceptable to the board upon which the license was based.
26 (2) The board may issue a license to practice the regulated activities without
27 examination to an applicant who holds a valid license to engage in the practice of

1 the regulated activities in good standing from a foreign country if:
2 (a) The applicant's foreign country makes similar provisions to allow a person
3 who holds a valid license to practice the regulated activities issued by this
4 Commonwealth to obtain that foreign country's comparable designation;
5 (b) The authority of the foreign country that issued the designation regulates the
6 practice of the regulated activities, including the issuance of reports~~[upon~~
7 ~~financial statements]~~;
8 (c) The foreign designation was granted upon education and examination
9 requirements which were established by the foreign authority or law and were
10 substantially equivalent to those in effect in this Commonwealth at the time
11 the foreign designation was granted;
12 (d) The applicant satisfies the applicable experience requirement contained in
13 paragraph (c) of subsection (1) of this section;
14 (e) The applicant has successfully passed a uniform qualifying examination on
15 United States national standards approved by the board; and
16 (f) The applicant submits an application for a license to practice the regulated
17 activities, upon forms approved by the board, that includes all required fees, in
18 the amounts as determined by administrative regulation promulgated by the
19 board.
20 ➔Section 5. KRS 325.301 is amended to read as follows:
21 (1) The following firms shall obtain a license to practice in this state:
22 (a) Any firm with an office located in this state performing attest services, as
23 defined in KRS 325.220;
24 (b) Any firm with an office in this state that uses the title "CPA" or other phrase
25 or abbreviation in any manner described in KRS 325.410 to suggest it is a
26 certified public accounting firm; and
27 (c) Any firm that does not have an office located in this state but performs any

1 attest service described in KRS 325.220***(5)***[~~(4)~~](a), (c), or (d) for a client with
2 his or her home office in this state or a client who is a resident of this state.
3 (2) The following firms shall not be required to obtain a license to practice in this state
4 and may use the title "CPA" in the name of the firm:
5 (a) A firm which does not have an office in this state that performs services
6 described in KRS 325.220***(5)***[~~(4)~~](b) ***or (e)*** for a client having its home office
7 in this state or a client who is a resident of this state if:
8 1. The firm complies with the requirements contained in subsections (3)(a)
9 and (12) of this section; and
10 2. All services provided by the firm are performed by an individual with a
11 practice privilege granted under KRS 325.282; and
12 (b) A firm which does not have an office in this state and does not provide attest
13 services, as defined in KRS 325.220, to a client having his or her home office
14 located in this state or a client who is a resident of this state may provide other
15 services that are regulated activities, as defined in KRS 325.220, if:
16 1. The services are provided through an individual granted a practice
17 privilege as described in KRS 325.282; and
18 2. The firm can legally provide the services in the state where the
19 individual with a practice privilege has his or her principal place of
20 business.
21 (3) All firms seeking to obtain a license to practice in this Commonwealth shall meet
22 the following requirements:
23 (a) Certified public accountants shall hold fifty-one percent (51%) or more of the
24 ownership of the firm in terms of financial interests and voting rights of all
25 partners, officers, shareholders, members, or managers of the firm;
26 (b) All owners of the firm who are not certified public accountants shall be
27 natural persons actively engaged in the firm's operations and shall satisfy

1 additional requirements established by the board through promulgation of an
2 administrative regulation;
3 (c) The name of the firm shall comply with the requirements of KRS 325.380;
4 (d) All certified public accountants who are sole proprietors, partners,
5 shareholders, members, officers, directors, or employees of a firm with an
6 office located in this state, who regularly practice in this Commonwealth,
7 shall maintain current licenses to practice issued by the board;
8 (e) Any individual licensee and any individual qualifying for a practice privilege
9 under this chapter who is responsible for supervising attest services and signs
10 or authorizes someone to sign the report~~[on the financial statements]~~ on
11 behalf of the firm shall meet the competency requirements established by the
12 board through promulgation of an administrative regulation; and
13 (f) The firm shall comply with the provisions of this chapter, the administrative
14 regulations promulgated by the board, and all other laws of this
15 Commonwealth applicable to the firm's particular form of business
16 organization.
17 (4) Before a firm may practice in this Commonwealth, the firm manager shall:
18 (a) Submit an initial application which contains information required by the board
19 through promulgation of an administrative regulation; and
20 (b) Pay a fee not to exceed two hundred dollars ($200) established by an
21 administrative regulation promulgated by the board.
22 (5) The firm license shall be renewed every two (2) years by the firm manager:
23 (a) Completing the renewal process according to the procedures as established in
24 administrative regulation promulgated by the board; and
25 (b) Paying the renewal fee, which shall not exceed two hundred dollars ($200), as
26 established by administrative regulation promulgated by the board.
27 (6) A firm license due to expire on July 1, 2011, shall:

1 (a) Be renewed by the firm manager according to the procedures established by
2 the board through promulgation of an administrative regulation;
3 (b) Require payment of a fee not to exceed fifty dollars ($50) established by the
4 board through promulgation of an administrative regulation; and
5 (c) Expire on August 1, 2012.
6 (7) A firm license that expires on or after August 1, 2012, shall:
7 (a) Be renewed by the firm manager prior to August 1, 2012;
8 (b) Require payment of a fee not to exceed two hundred dollars ($200)
9 established by the board through promulgation of an administrative regulation;
10 (c) Be effective for two (2) years; and
11 (d) Be renewed by the firm manager on or before August 1 of each two (2) year
12 period thereafter according to the procedures contained in this subsection and
13 as established by the board through promulgation of an administrative
14 regulation.
15 (8) If a firm license has been expired for a period of less than one (1) month and the
16 firm has not violated any other provision of this chapter or the accompanying
17 administrative regulations promulgated thereunder, the firm manager may renew the
18 license by:
19 (a) Satisfying all the requirements of this subsection, including any requirements
20 established by the board through promulgation of an administrative regulation;
21 and
22 (b) In addition to the renewal fee, paying a late fee not to exceed one hundred
23 dollars ($100).
24 (9) A firm with a license expired for a period of longer than one (1) month after the
25 date of expiration shall cease operating immediately. The firm shall not operate
26 until the board approves the issuance of a new license to the firm.
27 (10) Effective August 1, 2012, sole proprietors shall comply with the licensing

1 requirements for firms under this section.
2 (11) The firm manager shall notify the board in accordance with procedures established
3 in an administrative regulation promulgated by the board, of any change in its
4 licensing information within thirty (30) days. Any change in the name of a firm
5 shall require the filing of an initial application.
6 (12) All firms that perform audits, reviews, or compilations shall enroll in and complete
7 on a regular basis an approved peer review program with standards that are
8 equivalent to or better than the peer review program administered by the American
9 Institute of Certified Public Accountants as determined by administrative
10 regulations promulgated by the board. Every firm shall comply with any
11 requirements or restrictions placed on its license as prescribed by the board in
12 response to the results of peer reviews.
13 (13) Nothing contained in this chapter shall require a certified public accountant or firm
14 of certified public accountants licensed by another state to obtain a license to
15 practice in this Commonwealth if the certified public accountant or firm of certified
16 public accountants enters this Commonwealth solely to:
17 (a) Conduct a peer review of a firm; or
18 (b) Perform attestation work, incidental to an engagement which was initiated
19 with a client located outside of the Commonwealth and has extended into the
20 Commonwealth due to common ownership or existence of a subsidiary,
21 assets, or other operations located within the Commonwealth.
22 ➔Section 6. KRS 325.380 is amended to read as follows:
23 (1) No person shall assume or use the title or designation "certified public accountant,"
24 "public accountant," or the abbreviation "CPA" or any other title, designation,
25 words, letters, abbreviation, sign, card, or device tending to indicate that the person
26 is a certified public accountant, unless the person holds a license issued under this
27 chapter or qualifies for a practice privilege under KRS 325.282.

1 (2) No firm shall assume or use the title or designation "certified public accountants,"
2 "public accountants," or the abbreviation "CPA's" or any other title, designation,
3 words, letters, abbreviation, sign, card, or device tending to indicate that the firm is
4 composed of certified public accountants, unless the firm:
5 (a) Holds a license issued under this chapter which has not been revoked or
6 suspended, and all offices of the firm in this state are maintained as required
7 under this chapter; or
8 (b) Is authorized to do so as provided for in KRS 325.301.
9 (3) No individuals or firm shall assume or use the title or designation "certified
10 accountant," "chartered accountant," "enrolled accountant," "licensed accountant,"
11 "registered accountant," "accredited auditor," "accounting practitioner," "accredited
12 accountant," "expert accountant," "expert auditor," "certified auditor," or any other
13 title or designation likely to be confused with "certified public accountant" and
14 "public accountant" or any of the abbreviations "CA," "AP," "PA," "RA," "LA," or
15 "AA" or similar abbreviations likely to be confused with "CPA."
16 (4) No person or firm shall sign or affix his name or a firm name to any document or
17 prepare or issue any document which indicates that the person or firm performed
18 attest services~~[or a compilation]~~ or that includes any language which indicates that
19 the person or the firm has expert knowledge in performing attest services~~[or a~~
20 ~~compilation]~~, unless the person or firm holds a license to practice issued under this
21 chapter or is exempt from having to obtain a license pursuant to KRS 325.301. This
22 prohibition shall be applicable to issuance by any unlicensed person or firm of a
23 report using any form of language conventionally used by licensees with respect to a
24 compilation of financial statements ***or on any attest service***. ~~[The board shall issue~~
25 ~~safe harbor language, to be defined by the promulgation of administrative~~
26 ~~regulations, that nonlicensees may use in connection with a compilation of financial~~
27 ~~information.]~~***Nonlicensees may use safe harbor language provided in 201 KAR***

1 ***1:180 in connection with a compilation of financial information.*** The provisions
2 of this subsection shall not prohibit any officer, employee, partner, or principal of
3 any organization from affixing his signature to any statement or report in reference
4 to the financial affairs of the organization with any wording designating the
5 position, title, or office which he holds in the organization, nor shall the provisions
6 of this subsection prohibit any act of a public official or public employee in the
7 performance of his duties.
8 (5) No person shall assume or use the title or designation "certified public accountant"
9 or "public accountant" in conjunction with names indicating or implying that there
10 is a firm, or in conjunction with the designation "and Company" or "and Associates"
11 or a similar designation if there is in fact no bona fide firm licensed under this
12 chapter or exempted from licensure under KRS 325.301.
13 (6) No person or firm holding a license under this chapter shall use a professional or
14 firm name or designation which contains the names of any nonlicensees, is
15 misleading as to the legal form of the firm, or as to the persons who are partners,
16 officers, shareholders, or any other owners of the firm, or as to any other matters. If
17 more than one (1) certified public accountant has an ownership interest in the firm,
18 the names of one (1) or more deceased, retired, or withdrawn partners, shareholders,
19 or other certified public accountants with an ownership interest may be included in
20 the name of a firm or its successor.
21 (7) If the death or retirement of a certified public accountant results in a firm having
22 only one (1) certified public accountant with an ownership interest, the board may
23 permit the firm to continue to use the firm name for no more than two (2) years
24 from the certified public accountant's respective death or retirement.

Speaker-House of Representatives

President of Senate

Attest: Chief Clerk of House of Representatives

Approved Governor

Date 4-1-15