Bill as Introduced

SB 457 - AS INTRODUCED

2000 SESSION

00-2800
10/01

SENATE BILL ***457***

AN ACT relative to ownership of certified public accounting firms.

SPONSORS: Sen. Johnson, Dist 3; Sen. D'Allesandro, Dist 20; Rep. Chandler, Carr 1; Rep. Buckley, Hills 44

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill changes the ownership requirements for certified public accounting firms.

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

00-2800
10/01

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand

AN ACT relative to ownership of certified public accounting firms.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Firm Permits to Practice; Attest Experience and Peer Review. Amend RSA 309-B:8, III(a) to read as follows:

(a) Notwithstanding any other provision of law, a [~~2/3~~] ***51 percent*** majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members or managers, belongs to holders of a certificate who are licensed in some state of the United States and such partners, officers, shareholders, members, or managers, whose principal place of business is in this state, and who perform professional services in this state, hold a valid certificate issued under RSA 309-B:5 or the corresponding provisions of prior law or are public accountants licensed under RSA 309-B:9. Firms may include non-licensee owners but the firm and its ownership shall comply with rules adopted by the board. For firms of public accountants, at least a [~~2/3~~] ***51 percent*** majority of the ownership of the firm, in terms of financial interests and voting rights, shall belong to holders of registration under RSA 309-B:9.

2 Effective Date. This act shall take effect 60 days after its passage.

Committee Minutes

Date: March 28, 2000
Time: 1:10 pm
Room: 101 LOB

The Senate Committee on Executive Departments Administration held a hearing on the following:

SB 457 relative to ownership of certified public accounting firms.

Members of Committee present:

Senator Francoeur
Senator Brown
Senator D'Allesandro
Senator Larsen
Senator Roberge
Senator Trombly

The Chair, Senator Gary R. Francoeur, opened the hearing.

Senator Gary R. Francoeur, D. 14: Open the hearing on SB 457. Senator Johnson.

Senator Carl R. Johnson, D. 3: Thank you Mr. Chairman, members of the committee. For the record I am Carl Johnson of Senate District 3. Senate District 3 is all of Carrol County, Meredith and Center Harbor of Belknap County, and Milton and Middleton of Strafford County.

See Attachment A

That is the end of my testimony Mr. Chairman and I would be glad to try and answer any other questions.

Senator Gary R. Francoeur, D. 14: Any questions from the committee? Senator Brown.

Senator Mary E. Brown, D. 17: Senator Johnson did I understand that before last year it wasn't 2/3s requirement?

Senator Carl R. Johnson, D. 3: I believe that was the case.

Senator Gary R. Francoeur, D. 14: Other questions? Senator Johnson it is true that you can be a non-CPA and do the work, but you just can't have ownership in the company. Is that correct?

Senator Carl R. Johnson, D. 3: Well it depends on what we are talking about for the ratio.

Senator Gary R. Francoeur, D. 14: The ratio only applies to ownership correct not working?

Senator Carl R. Johnson, D. 3: Right. Right.

Senator Gary R. Francoeur, D. 14: Thank you. Any other questions? Thank you Senator Johnson.

Senator Carl R. Johnson, D. 3: Thank you.

Senator Gary R. Francoeur, D. 14: Representative Buckley. He is in favor. Not wishing to speak I guess. Bruce Berke.

Bruce Berke: I would certainly defer to the Board of Accountancy if you would like to hear from the first Mr. Chairman.

Senator Gary R. Francoeur, D. 14: No that is alright I am sure they will follow up fine.

Bruce Berke: Thank you very much for the opportunity to speak here today on SB 457. I am here today representing the Big 5 Accountants Coalition. These are multi state accounting firms that operate across the country.

They are in support of SB 457 because of how they are structured in their particular firms. They operate in multi state jurisdictions and they are finding that more and more states are going to the 51/49% ratios, which permits more flexibility for any firm really. Not just large firms, but small firms too, to be able to have more opportunity to offer more services to their clients.

So that they might be able to offer more, well obviously more services. The uniform approach is helpful from state to state so that they can continue to operate. They hirer non-CPA experts, this occurs in the world of E Commerce today. A lot of complex audits. A lot of business expertise is brought to the table from people who do not hold CPA licenses in their respective states.

So this would be helpful for large firms that do operate in the...states and it will be helpful for small firms too because if they are servicing their clients that need these extra services in a firm that has maybe just 1 or 2 CPA's. By having the ratio go to 51/49 rather than 63/33. It would be much easier to meet those ratios for a small firm.

At least 15 states have the 51/49 simple majority language in their respective state laws. Another 7 states are looking to make it 51/49 right now in their respective legislative sessions. Another 8 states are considering, that specific language as to the ratios. Another 8 states are dealing with the broader Uniform Accountancy Act, which this body dealt with last year.

So 15 states really are looking at also going in this direction beyond the 15 that have it in current law today. As mentioned by Senator Johnson the American Institute of CPA's and the National Association of State Boards of Accountancy have considered this ownership issue very carefully and they have endorsed the 51/49% thresholds.

The state boards including the New Hampshire Board do have extensive regulatory jurisdiction over CPA firms. The CPA owners of those firms will be responsible for the actions of non-CPA owners and cannot use non-CPA owners to accomplish activities that are prohibited by CPA's. So it is important to note that CPA's will obtain majority ownership of CPA firms.

The CPA's are licensed here in New Hampshire. They are subject to New Hampshire law and they will be subject to The Board of Accountancy jurisdiction. So we feel confident that the public will be protected and frankly we think this is an enhancement of public protection because today with the sort of dual roles that these firms provide. Because you have CPA firms and firms that are not CPA firms. There is no jurisdiction over those non-CPA firms today.

If it moves to 51/49 we believe that some of those entities will join and become one and then you will have a much greater oversight of those particular business through the Board of Accountancy. So with that I will close me testimony and answer any questions you may have.

Senator Gary R. Francoeur, D. 14: Senator Roberge.

Senator Sheila Roberge, D. 9: I happen to have some friends. The father is a CPA and built up a very good business, but he is going to have to retire. His daughter is an accountant, but she has never passed the CPA test. Could she run the business and higher CPA's to work for her?

Bruce Berke: She could have an ownership interest in the firm as a non-CPA.

Senator Sheila Roberge, D. 9: This firm has been left to her by her father. Would she still have to get a CPA to come in with her as a part owner?

Bruce Berke: The firm would have to have 51% ownership by a licensed CPA. Today it would be 66%.

Senator Sheila Roberge, D. 9: That doesn't sound quite fair, but that is just so that the public will...

Bruce Berke: So the public is protected and has assurances that the persons who have ownership and the responsibility for the work being conducted by that firm is a licensed CPA.

Senator Gary R. Francoeur, D. 14: Senator Brown.

Senator Mary E. Brown, D. 17: How long has it been a 2/3s requirement?

Bruce Berke: That was passed into the law last year by this legislature. I think it was signed into law I believe in July or August last year by the Governor.

Senator Mary E. Brown, D. 17: What was I prior to that?

Bruce Berke: I believe it was a 100%.

Senator Mary E. Brown, D. 17: A 100%

Bruce Berke: Yes. But the Board of Accountancy can maybe clarify it for you.

Senator Gary R. Francoeur, D. 14: Bruce if you lower the requirement for ownership isn't that with a 2/3s voting block of the ownership that the accountants are less likely to get into risky areas because they get into more trouble? It would be a lot less pressure than when you get 49 percent being none accountants trying to push you into a direction that you may not want to go.

Bruce Berke: I would certainly hope that whether it was 66% or 51% or 99% that those accountants would recognize that they have certain responsibilities as a licensed CPA in the State of New Hampshire and those

persons should be adhering to our laws and our rules. So that they would be not pressured to do anything in appropriate.

Senator Gary R. Francoeur, D. 14: Wouldn't it seem like there would be a lot more pressure that the outside ownership is 49% versus a 1/3?

Bruce Berke: Well 51 is still a majority and those people have their licenses issued by the State of New Hampshire and so they would be subject to that oversight.

Senator Gary R. Francoeur, D. 14: Any other questions from the committee? Bruce this also only has to deal with ownership not with the type of work that the company does. Is that correct?

Bruce Berke: That is correct.

Senator Gary R. Francoeur, D. 14: Thank you. Lee Owen.

Lee Owen: Good afternoon Mr. Chairman and Senators... My name is Lee Owen. I am a public accountant member of the Board of Accountancy. I am partner of Lewis and Cloues (SIC) here in Concord New Hampshire and have been a partner for some 20 years and an employee for some 35 years.

Have been on the Board of Accountancy for a little over a year. Have been involved in the State Association of Public Accountants, liaison officer between local, state and the National Society of Accountants. Have been very involved in the legislation that has gone on across the nation.

The tail is wagging the dog here. The AICPA is a trade association just like the National Society of Accountants. Yet the National Society of Accountants, which is the largest organization representing non-licensed accountants as well as license accounts is not even invited to the table a lot of time with the AICPA and the NASBA.

We are here today in favor of defeating this current legislation by a 4-1 vote of the Board of Accountancy. As was mentioned and is in your print out that we have distributed **(See Attachment B)**. This comprehensive accounting bill was just passed last year and only signed in less than 6 months ago by the Governor.

We haven't on the Board of Accountancy even had time to even write the rules and they are changing again. The rules from the 94 was just finished I believe in 98. It takes time to write these rules because they have to be very

comprehensive and try to clarify all these little ins and outs that we feel that the larger non-Certify or the non-licensed firms are going to come in here.

The American Express, the H&R Blocks, they are going to come in. If they can have 49% I feel that they are going to have a lot more leverage. Personally we have been courted by these people already. I could get a bunch of bucks, sell out my firm, still stay in because they want my name on the statements and be a lot better off financially than I am right now.

But I know that if I own 51% and they own 49% the tail is going to wag the dog. At 66 hopefully I can keep running an accounting tax practice that is serving the local and statewide businesses. This is the same as all small practitioners. It is very expensive to pay for the services because of the regulations that are forced on us and these regulations; the largest violators are the big 5.

The small practitioner or sole practitioner is going to have to pay additional expenses just to meet the regulations and who is going to pay the bottom line? The consumer. That is where it is at in the business world.

Those sole practitioners are not ones being the violators. Just recently in the Wall Street Journal I believe it is Dwight who was taken to task for about 75% of their partners had conflicts of interest because they now own such large shares of companies that they are auditing. There is a real problem with this.

Everyone has got the greed to do whatever has to be done. The people who are going to come into the CPA firms are going to be the professional tax preparers, the H&R Blocks, that area, stockbrokers, certified financial planners, insurance agents. Also in this last comprehensive we passed commissions.

I just personally gave up, discussed with a client about a stock because with this technology stock they are going crazy. The stock that I had followed up and down which now is selling at 80. I went to by it at 17 it went down to 5. He came back 2 months later and he says Lee thanks for the tip. I said what are you talking about? He said I bought Sand Desk. I says you did? He says let's look at what it is at. It split and it is now back on the other one. He has tripled his money in 2 months.

I got no commission. It wasn't a tip it was just a situation I was telling him about. If I had done this and got a commission you know I would have felt great, but I don't think that is, I am not a stockbroker. That type of thing was not an advice to him it was what could have been. I think that once you

these people on your firm. When I finish talking with him I am going to say by the way why don't you go up to room number 2 and see Joe. He is a register representative and we can handle you portfolio and this eliminates a whole other phase of stockbrokers, etc.

So the Merrill Linch is going to come in and buy the small accounting firms and they are surely going to have control at the board meetings. Advertising, which was passed a number of years ago has made a large impact and this is the thing with advertising. A sole practitioner just doesn't have the bucks to put into advertising to say how good they are and Merrill Linch, which would go through a local firm.

They can pump the big bucks in. They pay the office over head. They pay the administrative. They are going to control it and I just don't feel that it is in the best interest. Let those people be stockbrokers. Let those people sell you insurance. Let those people be certified financial planners. Make those people start another corporation and operate so that you know what it is.

You don't come in to a CPA firm and before you get the door we are trying to high-pressure you into using our firm for selling products. We just again feel that this law was just passed. There is no case law on it. Why should we lead in this area? It is very expensive. We are trying to save money.

The Attorney General's Office is doing a great job. They cannot right now serve us fully with what we need for support, for a legal support for promoting and prosecuting the cases that are already on our dockets.

The non-CPAs are not going to be covered by us. They are not going to be under our jurisdiction and again in our rules we will be writing as Mr. Berke said that somebody who is licensed is going to have sign off on a financial statement. The old Bob Hope joke about the Liz Taylor. How much would we do something for whatever and for a certain amount of money would we do something you know for a million bucks? Yeah I think we could Bob.

He says now that we have established what you are we are just negotiating price. I think this is going to happen here. Once you get into there. Just human nature just creates greed and these big companies to us small practitioners in New Hampshire. They would put us up in the six figures so fast it would make your head spin. Most of us are not at that level.

So as Senator Roberge mentioned. Here is a daughter of an accountant that would like to take over a practice and she is non-licensed she cannot once her father is out right now she cannot sign a statement. She can add a CPA; she can add 10 CPAs. She cannot put out a statement under her old firm name.

That CPA has to own 51% of her business. We think this is wrong. So I accept you time for divulging with me with a few of the highlights. With me today is the Executive Director of the Board of Accountancy Louise MacMillan. She might have something to add and we are available for any questions.

Louise MacMillan: The concern that we also have is again as Mr. Owen mentioned the litigation factor. It is still new of a change and even the other states to see any case law. I really don't want New Hampshire to be the forerunner in case law. Situation, you have a partnership 51% CPAs 49% non-CPAs. The non-CPA violates the law. Takes off with the client's money for a simple example.

Who is responsible? In a limited liability corporations or a LLP who is responsible? We don't know. I will be very honest with you and I asked that question in at a recent Executive Directors meeting from all over the country and I got mixed responses. Alternative business structures are still very new.

We got the one third we would like time to deal with that. You have an H&R Block or anyone. It doesn't have to be an H&R Block. If you have any alternative business structure buying into a CPA firm with 49% ownership, they own the building, they own the staff. They now have a grip and yes the CPAs should make decisions based on what is right and what is wrong, but with 8,000 violations by partners in the big 5.

I am not real comfortable with the big 5 getting a leg up right now real quick in this state. I think that we only have 3 big 5 presents that have more than 2 partners. I think that ENY (SIC) has 13 people working for them. They really don't have a big presence here. Maybe they want one. That is fine, but I would just like to work with this one third.

I have gone to the AG. We are looking for some case law. We are looking for some feed back from him on what we are going to do when the non-CPA violates any code. Who is responsible? Can we take the CPA license if he is a limited liability partnership? I didn't do anything wrong. I really don't know where that is going to go. I just feel uncomfortable after being there for 14 years and seeing what goes on.

We just spent a lot of time fighting over HB 626. We hashed it out. We got and I got firms now preparing to do the one third. They are taking on new partners. They are taking on the one third. They are able to take on a consultant or a RIA or the people they need to make their firm competitive. I am seeing it come through and nobody is complaining.

I only hear it from the big 5. I don't hear it from the small practitioners, which make up between 60 and 80% of the partnerships in this state or the businesses of CPA firms in this state. I just think that we need to take a breather to be very honest with you and see what happens in the other states. I am in constant contact with them.

Texas just came out and if any of you would like to see and alternative business structure sort of talking paper about what they are doing in Texas. It took their lawyers 6 months to come up with this. I don't know how we are going to deal with it.

Lee Owen: Just one parting remark. Right now CPAs and PAs or licensees do not handle any money. As we become...representatives we are going to say we will deposit your check into our accountant and we will invest in stocks. Great opportunity if you can get enough built up to run off and live in Barbados or some south sea island.

We handle a lot of numbers, but no cash. That is going to change with these alternative business being partners with us. Advertising, which came in some 10 years or so ago is done mostly by the larger firms. We in our own office were very conservative for 6 or 8 years we didn't do any of that. We are just starting. We are spending about 5,000 dollars a year.

About 4 or 5 years ago you passed Peer Review to back up the New Hampshire CPAs and the AICPA. That cost us about 4 grand a year. There is no doubt that once these guys come in we are going to have to spend more non productive money, non service money to compete with these firms or sell out to them.

Thank you very much for your time.

Senator Gary R. Francoeur, D. 14: Senator Brown.

Senator Mary E. Brown, D. 17: I just wondered if you could explain the reasons behind it being 100% CPA ownership, which it was I understand before last year and what is the rationale? Why is it important that we have licensed CPAs as owners of these companies?

Louise MacMillan: Well with my take on any professional firm whether it be a lawyer whether it be a CPA. When a member of the public walks into a CPA firm, a CPA firm they are expecting a level of expertise. They are expecting experience. They are expecting that person to be legislated by someone.

That someone is looking over them. A lawyer firm you walk in. You know that there is a certain level of expertise. I think for somebody to let out as a CPA firm without that ruling CPA under legislative guidelines and under certain technical standards setup by the AICPA and by NASBA. What kind of service are you going to get?

Lee Owen: Just a long this line the though is great. We have in our office an accountant who has been with me for 28 years. Unfortunately we are still very conservative and my partner, senior partner, is retiring in June.

So in order to stay a partnership, we are now a PLLC, still the same animal. I have to have a partner. We took in a new partner who is a CPA. The 28 percent we would like to have him, but we feel that that the firm should be a 100% licensed so that the persons serving...

...report to. The idea of being able to put this person into our partnership is great and we really tossed this around a lot. The problem is it is not going to be that type of accountant that is going to become partners. It is going to be the big outside interests, again not to use the names, American Express, H&R Block, Merrill Linch, those type of companies that are going to buying up the small CPA firms. Just for customer lists.

I am a small firm and I have some very wealthy clients and they would like to get that money invested in their companies. You multiply that across New Hampshire with all of us smaller sole practitioners and smaller firms. There is a lot of dollars, but it is going to change.

Senator Gary R. Francoeur, D. 14: Further questions? Senator Larsen.

Senator Sylvia B. Larsen, D. 15: When the last piece of legislation went through I didn't follow it in any detail, but there apparently was some discussion of lowering it down to 50% and that there was a decision to stay at 2/3s.

Louise MacMillan: There was no one that spoke against it at the senate hearing. The society supported it at 2/3s. Maybe they did plan on coming back but they did support it at 2/3s.

Lee Owen: They are right now staying neutralists.

Senator Sylvia B. Larsen, D. 15: Just so that I understand couldn't you in essence have a CPA firm that was owned with 49% ownership and still have it entirely just CPAs? So that the people working at the CPA firm are

licensed CPAs and the owners are...they live in another state. Could you not have a firm arranged like that?

Louise MacMillan: You mean all owners were non-CPAs.

Senator Sylvia B. Larsen, D. 15: No that the owners didn't work there. They owned it, but they didn't work.

Louise MacMillan: Sure

Lee Owen: You could have that, but they couldn't own more than 49% of it.

Senator Sylvia B. Larsen, D. 15: Right. But under that scenario then a public person walking in would in fact have a licensed CPA. The only people they would talk to would be licensed CPAs.

Lee Owen: But you wouldn't know that.

Louise MacMillan: But the firm under the current standards would still have the majority of CPA owners. The owners are the ones that take responsibility for whatever goes on whether it would be financial statements, you know audits, reviews, that kind of thing, but they are the ones that sign off.

They are ruling interest. They would be looking at that. You see what I am saying. It would be a CPA firm. The majority of people owning that firm and I know you are looking at the one third 49 what is the big deal. Again you have to go back to 49/51 it is semantics. I can tell you that with some of the bigger firms and some of these smaller CPA firms that are being bought out.

I hate to say, but I can guarantee you that they don't have ruling interest.

Lee Owen: I guess I am just Yankee enough to I want to have home ownership. I don't want Cisco Systems, or Microsoft there is another heavy who will by us out. Oracle, I don't want them owning the local firms whether they are licensed or unlicensed.

Senator Gary R. Francoeur, D. 14: Currently if your dilemma lets say tax return for me and you make a mistake on the return. Is there any requirement by the board that you carry insurance or that you company carry insurance. If I sue somebody who do I sue. Do I sue you the guy who signed my return or do I sue your company?

Lee Owen: Well you would probably sue both. If you are licensed you are not required, but it is in your best interest to carry malpractice insurance.

Louise MacMillan: Plus you can always come to the board.

Lee Owen: And you can come to the board to suspend my license.

Senator Gary R. Francoeur, D. 14: Whose license am I going to suspend the firms or the individuals?

Lee Owen: You can do both. But it would be the firm initially.

Senator Gary R. Francoeur, D. 14: So it would be the firm. The firm carries a license and you work under the firm.

Lee Owen: We both carry licenses. **(Inaudible)**

Louise MacMillan: That is another issue that we just recently got. They changed that. It used to be every individual had a license. Now the firm has a license and the individual maintains a certificate. So that is another issue that we are still trying to get some feed back from the AG's office, but either way you have a recourse with the Board of Accountancy.

You also can sue if they have legal liability insurance.

Senator Gary R. Francoeur, D. 14: What percentage of your people carry insurance? Any idea?

Lee Owen: No as long as they are working for me...

Louise MacMillan: I am going to say over 80 to 90%. You would have to be pretty foolish not to have legal liability insurance. Plus if you have to have a peer review the insurance company gives you a big break if you have peer review. So that is an incentive.

Senator Gary R. Francoeur, D. 14: Senator D'Allesandro.

Senator Lou D'Allesandro, D. 20: Thank you Mr. Chairman. Kind of setup the framework for me. What I have noticed the big 8 is now the big 5 and those firms are also leaving our area and are becoming very focused on what their practice is. So tell me whose making the move to become the minority partner. If these firms are getting away and channeling their efforts in very specific areas it would seem the opposite would be happening in terms of local PAs and CPAs would battering more and more activity.

Lee Owen: I am not sure they are leaving our area. I don't have the stats on that, but those firms already are spinning off like Arthur Anderson it has got Anderson International and they come in here and do lots of business. They are not licensed because they are not an accounting firm.

So that firm is here, but it is under a different name now and they are after the commission stuff. If you got the gift to gab and got a little courage you know we should be salesmen because that is where you can have the big payday. I as a professional charge so much an hour. I can work all my life and I am never going to have the big payday.

So I don't have another motive to put you into whatever company will give me the biggest commission. There is to many conflicts of interest for this type of legislation.

Louise MacMillan: What I am seeing with what it is currently with the one third. We have several firms that they have a CPA, they have a CPA and then they might hirer a real-estate broker. They might hirer a consulting person. They might hirer an RIA. I see that working fine for them. I have had very little feed back on wanting to be more.

We are looking at the bigger firms here. The smaller firms, those people can work for them they don't have to be partners. They don't have to hirer them as partners. They can be on their firm and they can have them on their staff.

So the ability to do that and offer those services is already there.

Senator Gary R. Francoeur, D. 14: Other question from the committee? Thank you.

Lee Owen: Thank you very much.

Senator Gary R. Francoeur, D. 14: Anybody else wishing to speak at this time on SB 457?

Steve Griffen: I am here on behalf of Gene Chandler and he is in support of SB 457. I am just going to in his spirit be brief and hand out his testimony. **See Attachment C**

Senator Gary R. Francoeur, D. 14: Is there anybody else. Saying no we will close the hearing on SB 457.

Respectfully Submitted
Zita-Maria Wescott, Committee Secretary

Attachment A

Testimony of Senator Carl Johnson
SB 457
Relative to ownership of certified pulic accounting firms
March 28, 2000
Senate Executive Departments & Administrative Committee

Thank you Mr. Chairman:

My name is Carl Johnson, Senator from District 3 and as the prime sponsor of the bill I appear before you today in support of SB 457. This bill proposes to change ownership requirements of CPA firms as it relates to CPAs and non-CPAs.

Last year, we passed a comprehensive re-write of the laws governing certified public accountants in NH. These accounting law changes were recommended by the American Institute of CPAs and the National Association of State Boards of Accountancy. One of the changes made last year now permits non-CPAs to own a portion of a CPA firm but only up to an aggregate limit of 33%.

When our new law took effect earlier this year, we learned that there are some CPA firms which do not comply with this 2 to 1 ownership ratio. Therefore, the introduction of SB 457.

This bill simply increases the aggregate ownership limit of non-CPAs to 49%. The other 51% of a CPA firm's ownership and the firm itself will still have to be licensed by NH and be subject to NH's laws and regulations.

There are legitimate professional reasons for CPA firms to have non-CPA owners. In example, non-CPAs may perform related professional services or provide specialized expertise on complex audits. But the public is always protected because even in circumstances where the CPA does not use their title in the business, a licensed CPA would still be required to be the managing partner/owner and passive ownership by a non-CPA would not be permitted.

As NH did last year with its enactment of the 2/3s requirements, other states which enacted similar laws are now revisiting the issue and enacting 51-49 or simple majority requirements. I urge this committee to do the same in order to keep NH CPA firms competitive with firms from other states.

Thank you.

Attachment B

TESTIMONY
submitted by

THE NEW HAMPSHIRE STATE BOARD OF ACCOUNTANCY
regarding

SB 457

"An act relative to the ownership of certified public accounting firms"

before the
EXECUTIVE DEPARTMENTS & ADMINISTRATION
COMMITTEE OF THE SENATE

presented by

LEE OWEN, Public Accountant
on behalf of
Robert Lemay, CPA and Secretary to the Board
Helaine Roberts, CPA
Eric Anderson, Public Member

We are writing today to express our opposition to Senate Bill 457. This bill addresses the ownership requirement for certified public accounting firms.

It was only last September that the Governor signed into effect House Bill 626. This piece of legislation had multiple sub-committee meetings where all of the major issues were debated in detail, including non-CPA ownership. We feel that the present percentage of ownership offers the incentive for firms to expand to accommodate the needs of the current market place; while offering, from a regulatory position, a level of comfort of protection for the public interest.

The majority of the Board feels increasing the influence of the non-CPA to 49%, jeopardizes that comfort level. One-third ownership allows the majority of the controlling interest in the firm to remain in the hands of the Certified Public Accountant's. Narrowing that influence will inadvertently reduce the CPA's controlling interest in the Certified Public Accountant firm. We feel that the optimum authority should remain in the control of the licensee.

We therefore must express our opposition to this change at this time.

Attachment C

GENE G. CHANDLER
Majority Leader

STATE OF NEW HAMPSHIRE
HOUSE OF REPRESENTATIVES

March 28, 2000

Testimony of Rep. Gene Chandler
SB 457- Relative to ownership of certified public accounting firms
Senate Executive Departments and Administration Committee

Thank you, Mr. Chairman:

As a co-sponsor of this bill, I would like to register my support of SB 457. As you have heard, the change made in this bill addresses a concern of several larger, multi-state accounting firms.

I would like to address an issue I have heard relative to safeguards for proper oversight of the accounting profession by the NH Board of Accountancy. It has been suggested that the Board of Accountancy would not have sufficient authority to properly administer their responsibilities in a firm that had only 51% of its ownership as certified public accountants in New Hampshire. I disagree with this suggestion.

A license is a license. Our state laws regulate CPA's and every CPA must adhere to them in their professional conduct, projects and businesses. If a CPA is performing work that is subject to standards issued in law or in administrative rule, that CPA must conform to those standards or be subject to discipline or review by the Board of Accountancy.

Last year, New Hampshire chose to permit non-CPA's to own upwards of 33% of an accounting firm. Increasing that number will not subject the profession to lesser standards because the majority of ownership will still remain in the hands of CPA's and those individuals will still be subject to New Hampshire laws and rules.

Respectfully submitted,

Gene

Rep. Gene G. Chandler

State House • Concord, New Hampshire 03301-4988 • Telephone: (603) 271-3661 • FAX: (603) 271-3309
TDD Access: Relay NH 1-800-735-2964

3-28-00 ①

SB457 1:10 pm

MB, SR, GF, LD, SL, RT

GF

Q - CPA's + Non CPA's

National association.

Own portion of CPA firm

33%

learned that some dont comply

SB457

increases

NON-CPA's 49%

51% + firm self still have to be licensed

Professional Reasons.

Non CPA

Specialized expertise.

Non CPA

Not be permitted.

51-49 & Simple majority

GF -

MB - Before last year it wasn't 2/3 Re.

CJ-

GF- True that you can be a non-CPA & Do work.

CJ-

GF- Not working

CJ-

GF- Bruce Burke-

Bruce Burke- SB 457
More + More States are going to 51-49 ratios.
More flex for anybody.
Opportunity to offer more services.
Complex audits.
CPA licenses in respective States.
Helpful for small firm.
firm has 1 or 2 CPA
51-49 63-33
15 States has 51-49

7 States looking to make it 51-49

8 States Consider Broader unification act

15 States looking direction.

State boards has considered thresholds

State boards

CPA firms

Responsible for action.

CPA retain majority

licenced in NH.

Public will be protected

CPA firms.

firms Not CPA

No Jurisdiction on the Non-CPA.

Much greater oversight

GF-

SR - Happen to have friends.

father good Business

Daughter

Burke -

SR -

Burke - 51% ownership by

SR -

Burke - So public is protected.

GF -

MB -

Burke - Signed into law

MB -

Burke - 100%

MB -

Burke -

GF- 2/3 Voting Block
less likely to get into

Burke - accountants would recognize adhering to our laws.
Not pressured

GF- 49%

Burke - 51 Still majority

GF- Way to defend ownership

Burke - Correct

GF-

Lee Owen - Public
Partner
State
local state national.
Talks using the dog one
was I called to collaps
licensed

defeating this leg.
4-1 Count
American Express
H+R Blocks.
Courted by these people already.
Better financial
Tail is going to wag the dog.
local and Statewide
Regulations that are based on us.
Small practitioner is going to pay
taking to task for
CPA firms
H+R Blocks
Stock Brokers
Passed Commissions.
Stalk NO selling @ 80.
tripled money in 2 months
Not a Stock Broker
What could have been
Eliminated

Advertising made large impact.
Merrell Lindh.
Pump big bucks in
Going to control it.
Be Certified!
CPA firm trying to high pressure
selling products.
Lying Stating the least in this area
We Can't Serve you fully.
Promoting + Prosecute
Non-CPA NOT covered by GAAS financial Statements
Human nature creates greed.
Put us up in 6 figures.
Senator Roberge.
Cannot sign a Statement Statement in own name.
Wrong.

Louise McMillian - litigation factor.
See any case law.
NH forerunner case law.
Non-CPA violated law
Who is responsible
Mixed responses.
got 1/3 would like more.
H & R Block.
15%
Our building + staff
CPA
8000 violation by
big 5.
3 big 5 presents that have more than 2
like to work with this
1/3.
Non-CPA
when going to go.
Just spent alot of time. HB 626.
New partners.
Make firm competetive

60 + 80% of State
Take breathin to see
what happens in
other State
6 months to come up
with this

Owen- Deposit your check
in our account
South Sea island.
No Cash
Advertising done mostly
by larger firms
$5,000 Yearly
Paid $1,200 a year
Non Service Money
sell out

GF-

MB Reasons Behind it
Rational
licensed CPA's to Owen

McMillian - Expecting level of expertise.
Someone looking over them.
let out as a CPA
under & Certain
By Nasba

Quen - thought is great.
Senior partner retiring in June.
Have to have partner.
Partner CPA
Report to
Edna put person
Problem not going to be that type.
Big out Side interests.
H&R Block
Small firm.
Very wealthy Clients

GF -

St - last piece of leg went through

Some discussion
Stay @ 2/3.

McMillian - support

Owen -

SL - have a CPA firm owned
w/ 49% ownership
Entirely CPAs

McMillian -

SL -

Owen -

SL - have licensed CPA

Owen -

McMillian - [illegible] of CPA
[illegible]
[illegible] that

majority
49-51 it is symetrics.
Bigger firms
Ruling interest.

Owen - Home ownership
Don't want them owning

GF- Tax return for me.
Any Requirement
insurance
Sue. Who.

Owen- Rob. Sue both.
Best interested

McMillian -

Owen -

GF-

Owen

GF-

Owen -

McMillian - Firm license
Sue for legal

GF - %

Owen - 80-90%
pretty foolish
Peer review.
Big breach.

GF -

LD - framework Big 6 now
Big 5.
Becoming very focused
who is making to become
Missed factors.
Opposite happening.

Owen - Don't have Stats.
Arthur Andersen international
accounting firm

Charge so much an hr.

Another motive

2 many Conflicts & interest

McMillian- Dealership Broken.
Working fine for them.
looking @ bigger firms
Can work for them.
Have on Staff
already three.

GF-

Owen- Thank you.

Steve Griffen testimoney

1:50pm

Speakers

SENATE EXECUTIVE DEPTS. & ADMIN. COMMITTEE

Date 3-28-00 Time 1:00pm Public Hearing On ~~SB~~ SB 457

Appearing in FAVOR: *(Please print)* **Please check box at left to speak.**

Speaking?	Name	Address	Representing
✓ ☑	Carl Johnson	Senator	Dist 3
✓ ☐	Raymond Buchley	House	Hills 44
✓ ☑	Bruce Berke	136 N Main St - Concord	Big 5 Accounting Firm
~~✓ ☑~~	~~Lee Owen & Norma Maddox~~	~~57 Regional~~	~~Bd of Accountancy~~
☐	Steve Griffin for Gena Chandler		
☐			
☐			
☐			
☐			
☐			

Appearing in OPPOSITION: *(Please Print)* **Please check box at left to speak.**

✓ ☒	Lee Owen	Member of Board of Accountancy	Board of Accountancy
☐			
☐			
☐			
☐			
☐			
☐			
☐			
☐			
☐			

Testimony

TESTIMONY
submitted by

THE NEW HAMPSHIRE STATE BOARD OF ACCOUNTANCY
regarding

SB 457

"An act relative to the ownership of certified public accounting firms"

before the
EXECUTIVE DEPARTMENTS & ADMINISTRATION
COMMITTEE OF THE SENATE

presented by

LEE OWEN, Public Accountant
on behalf of
Robert Lemay, CPA and Secretary to the Board
Helaine Roberts, CPA
Eric Anderson, Public Member

We are writing today to express our opposition to Senate Bill 457. This bill addresses the ownership requirement for certified public accounting firms.

It was only last September that the Governor signed into effect House Bill 626. This piece of legislation had multiple sub-committee meetings where all of the major issues were debated in detail, including non-CPA ownership. We feel that the present percentage of ownership offers the incentive for firms to expand to accommodate the needs of the current market place; while offering, from a regulatory position, a level of comfort of protection for the public interest.

The majority of the Board feels increasing the influence of the non-CPA to 49%, jeopardizes that comfort level. One-third ownership allows the majority of the controlling interest in the firm to remain in the hands of the Certified Public Accountant's. Narrowing that influence will inadvertently reduce the CPA's controlling interest in the Certified Public Accountant firm. We feel that the optimum authority should remain in the control of the licensee.

We therefore must express our opposition to this change at this time.

Voting Sheets

Senate Executive Depts. & Admin. Committee
EXECUTIVE SESSION

SB 457

Hearing date: 4-4-00 Room: 101

Motion of: OTP

Made by Senator:			*Seconded by Senator:*		
	Cohen	☑		Cohen	☐
	Francoeur	☐		Francoeur	☐
	M. Brown	☐		M. Brown	☐
	D'Allesandro	☐		D'Allesandro	☐
	S. Larsen	☐		S. Larsen	☐
	S. Roberge	☐		S. Roberge	☐
	Trombly	☐		Trombly	☐

3-1

Committee Member	*Present*	*Vote*	*Reported out by*
Senator Burton J. Cohen, Chairman	☐	✓	
Senator Gary Francoeur, Vice-Chair	☐	—	
Senator Mary E. Brown	☐	✓	
Senator Lou D. Allesandro	☐		
Senator Sylvia B. Larsen	☐		
Senator Sheila Roberge	☐	✓	—
Senator Rick A. Trombly	☐		

*Amendments:

NOTES:

Committee Report

Date: March 28, 2000 Time: 1:10 pm

The Senate Committee on Executive Departments Administration held its hearing in Room 101 LOB, Concord, New Hampshire.

BILL NO.: SB 457 TITLE: relative to ownership of certified public accounting firms.

Members of the Committee present: Senator Francoeur
Senator Brown
Senator D'Allesandro
Senator Larsen
Senator Roberge
Senator Trombly

Those appearing in favor:

Name and Address	Representing
See Attached.	

Those appearing in opposition:

Name and Address	Representing
See Attached.	

REPORT OF THE COMMITTEE:

- ☒ Ought to Pass
- ☐ Ought to Pass w/ Amendment
- ☐ Inexpedient to Legislate
- ☐ Rereferred
- ☐ Interim Study
- ☐ Continued Hearing
- ☐ Postponed Hearing

STATE OF NEW HAMPSHIRE

SENATE

REPORT OF THE COMMITTEE

Date:

THE COMMITTEE ON Executive Departments Administration

to which was referred Senate Bill 457

AN ACT relative to ownership of certified public accounting firms.

VOTE: 3-1

Having considered the same, report the same without amendment and recommend that the bill: **OUGHT TO PASS.**

Senator Sheila Roberge
For the Committee