



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

SB2434

Introduced 2/9/2016, by Sen. Pamela J. Althoff

#### SYNOPSIS AS INTRODUCED:

225 ILCS 450/0.03	from Ch. 111, par. 5500.03
225 ILCS 450/5.2	
225 ILCS 450/13	from Ch. 111, par. 5514

Amends the Illinois Public Accounting Act. Allows a certified public accountant (CPA) firm whose principal place of business is not in this State to have all the privileges of a CPA firm licensed under the Act without the need to obtain a license from the Department of Financial and Professional Regulation or to file notice with the Department if the CPA firm complies with specified substantial equivalency requirements; makes conforming changes. Provides that firms that do not meet the certain requirements but offer or render services in the State must hold a license issued under the Act. Effective immediately.

LRB099 15867 MLM 40178 b

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Public Accounting Act is amended by  
5 changing Sections 0.03, 5.2, and 13 as follows:

6 (225 ILCS 450/0.03) (from Ch. 111, par. 5500.03)

7 (Section scheduled to be repealed on January 1, 2024)

8 Sec. 0.03. Definitions. As used in this Act, unless the  
9 context otherwise requires:

10 "Accountancy activities" means the services as set forth in  
11 Section 8.05 of the Act.

12 "Address of record" means the designated address recorded  
13 by the Department in the applicant's, licensee's, or  
14 registrant's application file or license file maintained by the  
15 Department's licensure maintenance unit. It is the duty of the  
16 applicant, licensee, or registrant to inform the Department of  
17 any change of address, and those changes must be made either  
18 through the Department's website or by directly contacting the  
19 Department.

20 "Certificate" means a certificate issued by the Board or  
21 University or similar jurisdictions specifying an individual  
22 has successfully passed all sections and requirements of the  
23 Uniform Certified Public Accountant Examination. A certificate

1 issued by the Board or University or similar jurisdiction does  
2 not confer the ability to use the CPA title and is not  
3 equivalent to a registration or license under this Act.

4 "Compilation" means providing a service to be performed in  
5 accordance with Statements on Standards for Accounting and  
6 Review Services that is presented in the form of financial  
7 statements or information that is the representation of  
8 management or owners without undertaking to express any  
9 assurance on the statements.

10 "CPA" or "C.P.A." means a certified public accountant who  
11 holds a license or registration issued by the Department or an  
12 individual authorized to use the CPA title under Section 5.2 of  
13 this Act.

14 "CPA firm" means a sole proprietorship, a corporation,  
15 registered limited liability partnership, limited liability  
16 company, partnership, professional service corporation, or any  
17 other form of organization issued a license in accordance with  
18 this Act or a CPA firm authorized to use the CPA firm title  
19 under Section 5.2 of this Act.

20 "CPA (inactive)" means a licensed certified public  
21 accountant who elects to have the Department place his or her  
22 license on inactive status pursuant to Section 17.2 of this  
23 Act.

24 "Financial statement" means a structured presentation of  
25 historical financial information, including, but not limited  
26 to, related notes intended to communicate an entity's economic

1 resources and obligations at a point in time or the changes  
2 therein for a period of time in accordance with generally  
3 accepted accounting principles (GAAP) or other comprehensive  
4 basis of accounting (OCBOA).

5 "Other attestation engagements" means an engagement  
6 performed in accordance with the Statements on Standards for  
7 Attestation Engagements.

8 "Registered Certified Public Accountant" or "registered  
9 CPA" means any person who has been issued a registration under  
10 this Act as a Registered Certified Public Accountant.

11 "Report", when used with reference to financial  
12 statements, means an opinion, report, or other form of language  
13 that states or implies assurance as to the reliability of any  
14 financial statements and that also includes or is accompanied  
15 by any statement or implication that the person or firm issuing  
16 it has special knowledge or competence in accounting or  
17 auditing. Such a statement or implication of special knowledge  
18 or competence may arise from use by the issuer of the report of  
19 names or titles indicating that the person or firm is an  
20 accountant or auditor, or from the language of the report  
21 itself. "Report" includes any form of language that disclaims  
22 an opinion when the form of language is conventionally  
23 understood to imply any positive assurance as to the  
24 reliability of the financial statements referred to or special  
25 competence on the part of the person or firm issuing such  
26 language; it includes any other form of language that is

1 conventionally understood to imply such assurance or such  
2 special knowledge or competence.

3 "Licensed Certified Public Accountant" or "licensed CPA"  
4 means any person licensed under this Act as a Licensed  
5 Certified Public Accountant.

6 "Committee" means the Public Accountant Registration and  
7 Licensure Committee appointed by the Secretary.

8 "Department" means the Department of Financial and  
9 Professional Regulation.

10 "License", "licensee", and "licensure" refer to the  
11 authorization to practice under the provisions of this Act.

12 "Peer review" means a study, appraisal, or review of one or  
13 more aspects of a CPA firm's or sole practitioner's compliance  
14 with applicable accounting, auditing, and other attestation  
15 standards adopted by generally recognized standard-setting  
16 bodies.

17 "Principal place of business" means the office location  
18 designated by the licensee from which the person directs,  
19 controls, and coordinates his or her professional services.

20 "Review committee" means any person or persons conducting,  
21 reviewing, administering, or supervising a peer review  
22 program.

23 "Secretary" means the Secretary of the Department of  
24 Financial and Professional Regulation.

25 "University" means the University of Illinois.

26 "Board" means the Board of Examiners established under

1 Section 2.

2 "Registration", "registrant", and "registered" refer to  
3 the authorization to hold oneself out as or use the title  
4 "Registered Certified Public Accountant" or "Certified Public  
5 Accountant", unless the context otherwise requires.

6 "Peer Review Administrator" means an organization  
7 designated by the Department that meets the requirements of  
8 subsection (f) of Section 16 of this Act and other rules that  
9 the Department may adopt.

10 (Source: P.A. 98-254, eff. 8-9-13; 99-78, eff. 7-20-15.)

11 (225 ILCS 450/5.2)

12 (Section scheduled to be repealed on January 1, 2024)

13 Sec. 5.2. Substantial equivalency.

14 (a) An individual whose principal place of business is not  
15 in this State shall have all the privileges of a person  
16 licensed under this Act as a licensed CPA without the need to  
17 obtain a license from the Department or to file notice with the  
18 Department, if the individual:

19 (1) holds a valid license as a certified public  
20 accountant issued by another state that the National  
21 Qualification Appraisal Service of the National  
22 Association of State Boards of Accountancy has verified to  
23 be in substantial equivalence with the CPA licensure  
24 requirements of the Uniform Accountancy Act of the American  
25 Institute of Certified Public Accountants and the National

1 Association of State Boards of Accountancy; or

2 (2) holds a valid license as a certified public  
3 accountant issued by another state and obtains from the  
4 National Qualification Appraisal Service of the National  
5 Association of State Boards of Accountancy verification  
6 that the individual's CPA qualifications are substantially  
7 equivalent to the CPA licensure requirements of the Uniform  
8 Accountancy Act of the American Institute of Certified  
9 Public Accountants and the National Association of State  
10 Boards of Accountancy; however, any individual who has  
11 passed the Uniform CPA Examination and holds a valid  
12 license issued by any other state prior to January 1, 2012  
13 shall be exempt from the education requirements of Section  
14 3 of this Act for the purposes of this item (2).

15 (a-5) A CPA firm whose principal place of business is not  
16 in this State shall have all the privileges of a CPA firm  
17 licensed under this Act without the need to obtain a license  
18 from the Department or to file notice with the Department if  
19 the CPA firm complies with the requirements outlined in  
20 Sections 14.4 and 16 through substantial equivalency of their  
21 licensed state.

22 (b) Notwithstanding any other provision of law, an  
23 individual or CPA firm who offers or renders professional  
24 services under this Section, whether in person or by mail,  
25 telephone, or electronic means, shall be granted practice  
26 privileges in this State and no notice or other submission must

1 be provided by any such individual or CPA firm.

2 (c) An individual licensee or CPA firm of another state ~~who~~  
3 ~~is~~ exercising the privilege afforded under this Section and the  
4 CPA firm that employs such individual licensee, if any, as a  
5 condition of the grant of this privilege, hereby simultaneously  
6 consents:

7 (1) to the personal and subject matter jurisdiction and  
8 disciplinary authority of the Department;

9 (2) to comply with this Act and the Department's rules  
10 adopted under this Act;

11 (3) that in the event that the license from the state  
12 of the individual's or CPA firm's principal place of  
13 business is no longer valid, the individual or CPA firm  
14 shall cease offering or rendering accountancy activities  
15 as outlined in paragraphs (1) and (2) of Section 8.05 in  
16 this State individually or on behalf of a CPA firm; and

17 (4) to the appointment of the state board that issued  
18 the individual's or the CPA firm's license as the agent  
19 upon which process may be served in any action or  
20 proceeding by the Department against the individual or CPA  
21 firm.

22 (d) An individual licensee who qualifies for practice  
23 privileges under this Section who, for any entity headquartered  
24 in this State, performs (i) a financial statement audit or  
25 other engagement in accordance with Statements on Auditing  
26 Standards; (ii) an examination of prospective financial



1 information in accordance with Statements on Standards for  
2 Attestation Engagements; or (iii) an engagement in accordance  
3 with Public Company Accounting Oversight Board Auditing  
4 Standards may only do so through a CPA firm licensed under this  
5 Act or a CPA firm with practice privileges under this Section.

6 (e) A CPA firm that qualifies for practice privileges under  
7 this Section and, for any entity headquartered in this State,  
8 performs the following may only do so through an individual or  
9 individuals licensed under this Act or an individual or  
10 individuals with practice privileges under this Section:

11 (1) a financial statement audit or other engagement in  
12 accordance with Statements on Auditing Standards;

13 (2) an examination of prospective financial  
14 information in accordance with Statements on Standards for  
15 Attestation Engagements; or

16 (3) an engagement in accordance with Public Company  
17 Accounting Oversight Board Auditing Standards.

18 (Source: P.A. 98-254, eff. 8-9-13.)

19 (225 ILCS 450/13) (from Ch. 111, par. 5514)

20 (Section scheduled to be repealed on January 1, 2024)

21 Sec. 13. Application for licensure.

22 (a) A person or CPA firm that wishes to perform accountancy  
23 activities in this State, as defined in paragraph (1) of  
24 subsection (a) of Section 8.05 of this Act, or use the CPA  
25 title shall make application to the Department and shall pay

1 the fee required by rule.

2 Applicants have 3 years from the date of application to  
3 complete the application process. If the process has not been  
4 completed in 3 years, the application shall be denied, the fee  
5 forfeited and the applicant must reapply and meet the  
6 requirements in effect at the time of reapplication.

7 (b) Any CPA firm that (i) has an office in this State that  
8 uses the title "CPA" or "CPA firm"; (ii) has an office in this  
9 State that performs accountancy activities, as defined in  
10 paragraph (1) of subsection (a) of Section 8.05 of this Act; or  
11 (iii) does not have an office in this State and does not meet  
12 the practice privilege requirements as defined in Section 5.2  
13 of this Act, but offers or renders ~~performs~~ services, as set  
14 forth in subsection (e) ~~(d)~~ of Section 5.2 of this Act, for a  
15 client that is headquartered in this State must hold a license  
16 as a CPA firm issued under this Act.

17 (c) (Blank). ~~A CPA firm that does not have an office in~~  
18 ~~this State may perform a review of a financial statement in~~  
19 ~~accordance with the Statements on Standards for Accounting and~~  
20 ~~Review Services for a client with its headquarters in this~~  
21 ~~State and may use the title "CPA" or "CPA firm" without~~  
22 ~~obtaining a license as a CPA firm under this Act, only if the~~  
23 ~~firm (i) performs such services through individuals with~~  
24 ~~practice privileges under Section 5.2 of this Act; (ii)~~  
25 ~~satisfies any peer review requirements in those states in which~~  
26 ~~the individuals with practice privileges under Section 5.2 have~~

1 ~~their principal place of business; and (iii) meets the~~  
2 ~~qualifications set forth in paragraph (1) of Section 14.4 of~~  
3 ~~this Act.~~

4 (d) A CPA firm that is not subject to the requirements of  
5 subsection (b) ~~or (c)~~ of this Section may perform professional  
6 services that are not regulated under subsection (b) ~~or (c)~~ of  
7 this Section while using the title "CPA" or "CPA firm" in this  
8 State without obtaining a license as a CPA firm under this Act  
9 if the firm (i) performs such services through individuals with  
10 practice privileges under Section 5.2 of this Act and (ii) may  
11 lawfully perform such services in the state where those  
12 individuals with practice privileges under Section 5.2 of this  
13 Act have their principal place of business.

14 (Source: P.A. 98-254, eff. 8-9-13.)

15 Section 99. Effective date. This Act takes effect upon  
16 becoming law.