

SENATE No. 2941

The Commonwealth of Massachusetts

—
In the One Hundred and Ninety-First General Court
(2019-2020)
—

SENATE, November 5, 2020.

The committee on Senate Ways and Means to whom was referred the Senate Bill to modernize public accountancy (Senate, No. 2668), - reports, recommending that the same ought to pass with an amendment substituting a new draft with the same title (Senate, No. 2941).

For the committee,
Michael J. Rodrigues

SENATE No. 2941

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-First General Court
(2019-2020)**

An Act to modernize public accountancy.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 87A of chapter 112 of the General Laws, as appearing in the 2018
2 Official Edition, is hereby amended by striking out, in line 22, the words “on financial
3 statements”.

4 SECTION 2. Said section 87A of said chapter 112, as so appearing, is hereby further
5 amended by striking out the definition of “Report” and inserting in place thereof the following
6 definition:-

7 “Report”, an opinion, report or other form of language used with reference to any attest
8 or compilation service that states or implies assurance as to the reliability of the attested
9 information or compiled financial statements and that also includes or is accompanied by a
10 statement or implication that the person or firm issuing it has special knowledge or competence
11 in accounting or auditing. A statement or implication of special knowledge or competency may
12 arise from use by the issuer of the report of names or titles indicating that the issuer is an
13 accountant or auditor or from the language of the report itself; provided, however, that "report"

14 shall include any form of language that disclaims an opinion when such form of language is
15 conventionally understood to imply a positive assurance as to the reliability of the attested
16 information or compiled financial statements referred to or special competence on the part of the
17 person or firm issuing such language and any other form of language that is conventionally
18 understood to imply such assurance and such special knowledge or competence.

19 SECTION 3. Section 87B of said chapter 112, as so appearing, is hereby amended by
20 striking out, in line 40, the word “five” and inserting in place thereof the following figure:- “4”.

21 SECTION 4. Paragraph (h) of said section 87B of said chapter 112, as so appearing, is
22 hereby amended by striking out subparagraph (1).

23 SECTION 5. Said section 87B of said chapter 112, as so appearing, is hereby further
24 amended by striking out, in lines 146 and 147, the words “on the financial statements”.

25 SECTION 6. Said section 87B of said chapter 112, as so appearing, is hereby further
26 amended by striking out, in line 151, the words “on financial statements”.

27 SECTION 7. Said section 87B of said chapter 112, as so appearing, is hereby further
28 amended by adding the following paragraph:-

29 (i) A licensee or person engaged in the practice of certified public accountancy shall
30 adhere to the American Institute of Certified Public Accountants’ Code of Professional Conduct;
31 provided, however, that if a provision conflicts with any rule or regulation established by the
32 board, a licensee or person engaged in the practice of certified public accountancy shall comply
33 with the board’s rule or regulation.

34 SECTION 8. Subparagraph (1) of paragraph (b) of section 87B1/2 of said chapter 112, as
35 so appearing, is hereby amended by striking out clauses (ii) and (iii) and inserting in place
36 thereof the following 3 clauses:-

37 (ii) a simple majority of the ownership of the firm, in terms of financial interests and
38 voting rights of all partners, officers, shareholders, members or managers, belongs to holders of a
39 certificate who are licensed in any state, and such partners, officers, shareholders, members or
40 managers, whose principal place of business is in the commonwealth, practice public
41 accountancy in the commonwealth and hold valid licenses issued by the board. The firm and its
42 ownership, including nonlicensee owners, shall comply with rules promulgated by the board;

43 (iii) the firm is organized as a partnership, including a registered limited liability
44 partnership registered pursuant to the laws of the state of its organization, a limited liability
45 company registered pursuant to the laws of the state of its organization, a professional
46 corporation organized pursuant to the provisions of chapter 156A or that agrees to comply with
47 all requirements of sections 10 to 12, inclusive, of said chapter 156A or a business corporation;
48 and

49 (iv) the firm designates a commonwealth licensee who shall be responsible for the proper
50 registration of the firm and shall be identified by the firm to the board.

51 SECTION 9. Said section 87B1/2 of said chapter 112, as so appearing, is hereby further
52 amended by striking out, in lines 43 and 44, the words “as its managing partner or agent”.

53 SECTION 10. Said section 87B1/2 of said chapter 112, as so appearing, is hereby further
54 amended by striking out, in lines 49 and 50, the words “on financial statements”.

55 SECTION 11. Said section 87B1/2 of said chapter 112, as so appearing, is hereby further
56 amended by striking out paragraph (c) and inserting in place thereof the following paragraph:-

57 (c) An applicant for initial issuance or renewal of a permit to practice under this section
58 shall: (i) register each office of a firm within the commonwealth with the board; and (ii) show
59 that all attest and compilation services rendered in the commonwealth are under the charge of a
60 person holding a valid license to practice issued under section 87B or the corresponding
61 provision of a prior law or the law of another state.

62 SECTION 12. Said section 87B1/2 of said chapter 112, as so appearing, is hereby further
63 amended by adding the following paragraph:-

64 (k) The board shall issue a license to a firm that holds a certificate issued by another state
65 upon a showing that the firm: (i) holds a valid license from a jurisdiction within the United
66 States; and (ii) complies with the firm ownership and peer review requirements pursuant to this
67 chapter at the time the application is made.

68 SECTION 13. Section 87C1/2 of said chapter 112, as so appearing, is hereby amended by
69 striking out, in line 7, the words “paragraph (1) of”.

70 SECTION 14. Section 87D of said chapter 112, as so appearing, is hereby amended by
71 striking out, in line 3, the words “on financial statements”.