

REVISE PC REQUIREMENTS FOR CPAs

House Bill 5120 (Substitute H-1) First Analysis (11-13-97)

Sponsor: Rep. Barbara Dobb
Committee: Regulatory Affairs

THE APPARENT PROBLEM:

The Professional Service Corporation Act permits various licensed professionals, such as attorneys, physicians, and accountants, to incorporate as professional service corporations (PCs). The act allows PCs to also have members who are licensed in other states but not licensed in Michigan. However, all shareholders of a professional service corporation must be licensed in at least one of the services offered by the PC. Legislation enrolled earlier this year, Public Act 10 of 1997 (House Bill 4238), amended the Occupational Code (MCL 339.101 et al.) to revise the regulations pertaining to certified public accountants (CPAs). The revision, among other things, permitted CPA firms to organize if at least two-thirds of the equity and voting rights were held by individuals licensed as CPAs in this or another state, but did not put restrictions on the other one-third of the firm's membership. Reportedly, in light of questions such as whether an estate or an accountant who wasn't a CPA could qualify under the Occupational Code to be a member of a CPA firm, legislation has been proposed to clarify that for professional service corporations, the non-CPA members would have to be licensed, either in Michigan or another state, in one of the services offered by the PC.

THE CONTENT OF THE BILL:

House Bill 5120 would amend the Professional Service Corporation Act to permit a PC to engage in the practice of public accounting if at least two-thirds of the shareholders were individuals licensed as CPAs in Michigan or other states, and the other shareholders were licensed or otherwise legally authorized to render a service offered by the PC.

MCL 450.222 and 450.224

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would have no state or local fiscal impact. (11-6-97)

ARGUMENTS:

For:

The recent change to the Occupational Code that allowed up to one-third of members of a CPA firm to be non-CPAs has raised questions as to who can make up the non-CPA membership. Professional service corporations (PCs) are included in the code's definition of "firm". Reportedly, some had wondered whether an estate or an accountant who was not a CPA could qualify under the code as a non-CPA member of a CPA firm. Therefore, for the purposes of professional service corporations, it is important to clarify that, though the Occupational Code allows CPA firms to organize with two-thirds of the shareholders being licensed CPAs, the remaining non-CPA shareholders would have to be licensed by Michigan or another state to perform at least one of the services offered by the PC.

POSITIONS:

The Department of Consumer and Industry Services supports the bill. (11-7-97)

Analyst: S. Stutzky

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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