

STATE OF WISCONSIN
ACCOUNTING EXAMINING BOARD

IN THE MATTER OF RULE-MAKING : ORDER OF THE
PROCEEDINGS BEFORE THE : ACCOUNTING EXAMINING BOARD
ACCOUNTING EXAMINING BOARD : ADOPTING RULES
: (CLEARINGHOUSE RULE 02-052)

ORDER

An order of the Accounting Examining Board to create Accy 1.408, relating to the definition of “ownership interest” for the purpose of determining eligibility of firms for a license as a certified public accounting firm.

Analysis prepared by the Department of Regulation and Licensing.

ANALYSIS

Statutes authorizing promulgation: Secs. 15.08 (5) (b) and 227.11 (2), Wis. Stats., and sec. 442.08 (3), Wis. Stats., as amended by 2001 Wisconsin Act 16.

Statutes interpreted: Sec. 442.08 (2) and (3), Wis. Stats.

This proposed rule-making order of the Accounting Examining Board addresses the requirement in Wis. Stat. s. 442.08 (3), as amended by 2001 Wisconsin Act 16, that the board shall promulgate rules that define “ownership interest” for the purposes of determining eligibility for a license as a certified public accounting firm.

Under Wis. Stats. Ch. 442, as amended by 2001 Wisconsin Act 16, an applicant for a license as a certified public accounting firm must demonstrate that more than 50% of the ownership interest of the firm is held by individuals who hold certificates or licenses to practice as a certified public accountant issued under the laws of any state or foreign country. Wis. Stat. s. 442.08 (2) (c) 2.

The proposed rule defines “ownership interest” as any equity or voting interest in a firm. The term “firm” is defined in Wis. Stat. §442.001 (4) as “. . . a proprietorship, partnership, limited liability partnership, corporation, service corporation, or limited liability company.” The rule requires an applicant for a license as a certified public accounting firm to demonstrate that more than 50% of the ownership interest of the firm is held by certified public accountants.

If any person who holds an ownership interest in the firm is not licensed as a certified public accountant, the firm is required to designate an individual who is licensed as the individual responsible for the firm’s compliance with Wis. Stat. ch. 442. Wis. Stat. s. 442.08 (2) (b).

The law requires that each person who holds an ownership interest in the firm, and who does not hold a certificate or license to practice as a certified public accountant, be an individual who actively participates in the firm or an affiliated entity. Wis. Stat. s. 442.08 (2) (c) 3.

In promulgating these rules, the board considered the financial interests and voting rights of all members of a firm.

TEXT OF RULE

SECTION 1. Accy 1.408 is created to read:

Accy 1.408 Ownership requirements. (1) In this section “ownership interest” means any equity or voting interest in a firm.

(2) An applicant for a license as a certified public accounting firm shall demonstrate that more than 50% of the ownership interest of the firm is held by individuals who hold certificates or licenses to practice as a certified public accountant issued under the laws of any state or foreign country.

(3) A firm applying for licensure meets the ownership requirement under sub. (2) in the following circumstances:

(a) If the applicant is a sole proprietorship and the owner holds a certificate and license to practice as a certified public accountant issued under the laws of this state.

(b) If the applicant is organized as a service corporation and more than 50% of the voting rights are held by individuals who are certified public accountants.

(c) If the applicant is organized as a business corporation and more than 50% of the voting rights are held by individuals who are certified public accountants.

(d) If the applicant is organized as a partnership or limited liability partnership and more than 50% of the voting rights are held by individuals who are certified public accountants.

(e) If the applicant is organized as a limited liability company and more than 50% of the voting rights are held by individuals who are certified public accountants.

(4) An applicant firm with ownership characteristics other than those identified in sub. (3) may submit information about the ownership interests of all members of the firm to the board. The board may determine that more than 50% of the ownership interest of the firm is held by individuals who hold certificates or licenses to practice as a certified public accountant. In making this determination the board shall consider whether ownership interest of all members of the firm results in control and management of the firm by individuals who hold certificates or licenses to practice as a certified public accountant.

(END OF TEXT OF RULE)

The rules adopted in this order shall take effect on the first day of the month following publication in the Wisconsin administrative register, pursuant to s. 227.22 (2) (intro.), Wis. Stats., or 60 days after its adoption by the Accounting Examining Board, pursuant to s. 442.01 (2), Wis. Stat., whichever is later.

Dated _____

Agency _____

Chairperson
Accounting Examining Board

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9/13/02