

STATE OF NEBRASKA

BOARD OF PUBLIC ACCOUNTANCY

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NOTICE OF RULEMAKING COMMENT PERIOD AND POLICY-MAKING HEARING

January 31, 2006

Notice is hereby given that the Nebraska Board of Public Accountancy will hold a policy-making hearing on **Thursday, March 16, 2006 at 8:30am at the Board's office at 140 N. 8th Street, Lincoln, Nebraska.** The purpose of this hearing is to receive public testimony from 8:30am to 9:30am on amendments to rules promulgated by the Board of Public Accountancy relating to ownership of registered Certified Public Accounting Firms.

Purpose of Regulations:

The Board conducted a review of Title 288, Chapter 11, Public Accounting Partnerships and Professional Corporations. Proposed changes include:

- *Clearly define ownership provisions for natural and non-natural persons of registered Certified Public Accounting Firms.*
- *Amend equity ownership provisions to be consistent with current State Statute.*

The rule-making hearing is being conducted by virtue of the provisions of Nebraska Revised Statutes, Section 84-907, R.R.S. which provisions require that copies of the proposed rule or rule change are available for public examination at the office of the Board of Public Accountancy, 290 The Apothecary Building, 140 N. 8th Street, Lincoln, Nebraska 68508, (402) 471-3595, and at the office of the Secretary of State, Capitol Building, Lincoln, Nebraska. A complete statement on the fiscal impact may also be examined at the office of the Board of Public Accountancy at 290 The Apothecary Building, 140 N. 8th Street, Lincoln, Nebraska.

All interested persons are invited to attend and testify at the hearing. Interested persons may also submit written comments prior to the hearing, which comments will be made a part of the hearing record at the time of the hearing.

Fiscal Impact Statement

Agency: Nebraska Board of Public Accountancy
Prepared By: Dan Sweetwood, Executive Director
Date Prepared: January 10, 2006
Telephone Number: (402) 471-3595

Background

The Nebraska Board of Public Accountancy is holding a rule making hearing on Thursday, March 16, 2006 to possibly amend Rules and Regulations, Title 288, Chapter 11- Public Accounting Partnerships and Professional Corporations.

Type of Fiscal Impact:

NO FISCAL IMPACT.

Description of Impact:

There will be no fiscal impact based on the proposed changes to the rules. There could be a small increase of registered Certified Public Accounting firms due to the proposed rules.

Concise Explanatory Statement

Nebraska Board of Public Accountancy- Rules and Regulations /Title 288, Chapter 11 - Public Accounting Partnerships and Professional Corporations

Concise Explanatory Statement

The Nebraska Board of Public Accountancy is amending existing regulations to the above referenced regulations as provided by law, and hereby submits this concise explanatory statement to accompany the regulation and describe its reasons and the changes made during the rulemaking process.

Reasons for rulemaking process and changes made:

Based on review of a Certified Public Accounting firm application submitted by Deloitte Tax, LLP, the Board's Licensing Committee began a review of current Board Rules & Regulations regarding allowing another entity (non-natural person) to own part of the firm. The Committee conducted research including a request of the State Attorney General's office for an opinion. The Attorney General's office referred to an earlier opinion to the Board and "...affirmed the conclusion that only natural persons are considered to actively participate in a firm according to the Board's own regulations, and therefore, a professional corporation or other nonnatural person could not qualify as a non-CPA owner of firm under Neb. Rev. Stat. SS 1-162.01. After further review of the statute, regulations and legislative history, we find no reason to change our previous opinion..."

The Committee concluded after further consideration of allowing non-natural persons to own part of Certified Public Accounting firms, to pursue amending regulations within Chapter 11, Title 288, to clearly define ownership provisions for natural and non-natural persons.

The Committee also noted the discrepancy between the Public Accountancy Act (PAA) 1-162.01 (2) "... more than *forty-nine percent* of such firms equity capital or voting rights or receive... more than *forty nine percent* of such firms profit or losses.", and Title 288 Rules Chapter 11 004.03 "Limitations; Equity Ownership. ...more than *thirty-three percent* of such business entity's equity capital or voting rights, or (b) receive ...more than *thirty-three percent* of such business entities profits or losses." The Rule change aligns the language in the Rule to be consistent with the language in the PAA of forty – nine percent equity ownership.

On January 6, 2006 the Board approved the Licensing Committee recommendation to amend the Chapter 11, Title 288, Rules to clearly allow for non-natural person ownership of Certified Public Accounting firms, and to make the Title 288 Rules and the PAA consistent regarding CPA firm equity ownership percentages, and to hold a public hearing regarding the proposed amendments.