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**VERSIONS OF THIS BILL**

[02/14/2024](https://www.scstatehouse.gov/sess125_2023-2024/prever/1049_20240214.docx)

A bill

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 40‑2‑20, RELATING TO DEFINITIONS CONCERNING THE REGULATION OF CERTIFIED PUBLIC ACCOUNTANTS AND PUBLIC ACCOUNTANTS, SO AS TO REVISE VARIOUS DEFINITIONS; BY AMENDING SECTION 40‑2‑30, RELATING TO SERVICES THAT MAY BE PROVIDED BY ACCOUNTING FIRMS USING CERTAIN TITLES, SO AS TO INCLUDE THE PROVISION OF COMpilATION SERVICES; BY AMENDING SECTION 40‑2‑35, RELATING TO EDUCATION AND TESTING REQUIREMENTS FOR CERTIFIED PUBLIC ACCOUNTANTS, SO AS TO REVISE THE REQUIREMENTS; BY AMENDING SECTION 40‑2‑40, RELATING TO REGISTRATION REQUIREMENTS FOR FIRMS PROVIDING CERTAIN SERVICES REGULATED BY THE BOARD OF ACCOUNTANCY, SO AS TO INCLUDE FIRMS PROVIDING COMPILATION SERVICES, AMONG OTHER THINGS; BY AMENDING SECTION 40‑2‑80, RELATING TO complaint investigations BY THE BOARD, SO AS TO REMOVE THE REQUIREMENT THAT INSPECTOR‑INVESTIGATORS MUST BE LICENSED CERTIFIED PUBLIC ACCOUNTANTs IN THIS STATE; BY AMENDING SECTION 40‑2‑240, RELATING TO LICENSING OF accountants LICENSED IN ANOTHER STATE, SO AS TO REVISE LICENSING REQUIREMENTS; AND BY AMENDING SECTION 40‑2‑245, RELATING TO ADDITIONAL REQUIREMENTS OF accountants LICENSED IN ANOTHER STATE, SO AS TO REVISE THE REQUIREMENTS.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 40‑2‑20(2), (18), (23), and (33) of the S.C. Code is amended to read:

(2)(a) “Attest’ means providing the following services:

(i) any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS);

(ii) any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS);

(iii) any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE);

(iv) any engagement to be performed in accordance with Public Company Accounting Oversight Board (PCAOB) Auditing Standards; or

(v) any examination, review, or agreed upon procedure to be performed in accordance with the SSAE, other than an examination described in subitem (c)subsubitem (iii).

(b) Any standards specified in this definition shall be adopted by reference by the board pursuant to rulemaking and shall be those developed for general application by national accountancy organizations, such as the AICPA or the PCAOB.

(18) “Manager” means a licensee in responsible charge of an officeReserved.

(23) “Practice of accounting” means:

(a) issuing a report on financial statements of a person, firm, organization, or governmental unit or offering to render or rendering any attest or compilation service. This restriction does not prohibit any act of a public official or public employee in the performance of that person's duties or prohibit the performance by a nonlicensee of other services involving the use of accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports; or

(b) using or assuming the title “Certified Public Accountant” or the abbreviation “CPA” or any other title, designation, words, letters, abbreviation, sign, card, electronic file, metadata tag, or any otheror device tending to indicate that the person is a certified public accountant.

(33) “Substantial equivalency” or “substantially equivalent” is a determination by the board or its designee that the education, examination, andor experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed the completion of, a baccalaureate or higher degree in an accounting concentration that includes one hundred fifty semester hours of education, at least one year of acceptable experience, and successful completion of the Uniform CPA Examination the requirements of this State. Any jurisdiction found to be substantially equivalent by NASBA's National Qualification Appraisal Service is considered to be substantially equivalent to this State. In ascertaining substantial equivalency as used in this chapter, the board or its designee shall take into accountconsider the qualifications without regard to the sequence in which experience, education, or examination requirements were attained.

SECTION 2. Section 40‑2‑30(E) of the S.C. Code is amended to read:

(E) A firm may not provide attest or compilation services or assume or use the title “Certified Public Accountants”, “Public Accountants” or the abbreviation “CPAs” and “PAs”, or any other title, designation, words, letters, abbreviation, sign, card, or device indicating the firm is a CPA firm unless:

(1) the firm holds a valid registration issued under this chapter or is exempt from the registration requirement by operation of subsection (I);

(2) ownership of the firm is in accordance with Section 40‑2‑40(C) and implementing regulations promulgated by the board, unless the firm is exempt from the registration requirement by operation of subsection (I); and

(3) owners who are not certified public accountants must be permitted to use the titles “principal”, “partner”, “owner”, “officer”, “member”, or “shareholder” but must not hold themselves out to be certified public accountants.

SECTION 3. Section 40‑2‑35(A), (D), (F), and (G) of the S.C. Code is amended to read:

(A) The board shall grant a license to practice as a certified public accountant to persons who make application and provide the following:

(1) evidence of good moral character, which includes a lack of a history of:

(a) any conviction of a felony that has an element of dishonesty or fraud or any other crime that has an element of dishonesty or fraud, under the laws of the United States, of this State, or of any other state if the acts involved constitute a crime under state laws;

(b) an active or stayed revocation or suspension of any occupational license, privilege, or other authority to practice any licensed occupation by or before any state, federal, foreign, or other licensing or regulatory authority, provided that the grounds include wrongful conduct, such as fraud, dishonesty, or deceit, or any other conduct that evidences any unfitness of the applicant to practice public accountancy; and

(c) any acts that would be grounds for the revocation or suspension of a license if committed by a licensee;

(2) a transcript or transcriptsevidence showing that the candidate meets the educational requirements pursuant to subsection (C);

(3) evidence of a passing score on a standardized test of accounting knowledge, skills, and abilities approved by the board and substantially equivalent to the Uniform CPA Examination;

(4) evidence of a passing score on an examination in professional ethics as approved by the board and an affidavit by the candidate acknowledging that he or she has read the statute and regulations governing the practice of accountancy in South Carolina and subscribes both to the spirit and letter of the statute and regulations and agrees to observe them faithfully in the performance of his or her professional work; and

(5) evidence of appropriate experience.

(D) The board shall accept transcripts from a college or university holding an accreditation from an accreditation body approved by the United States Department of Education and shall accept education, training, and experience completed by an individual as a member of the military in Section 40‑1‑640. Official transcripts signed by the college or university registrar and bearing the college or university seal or verification through any service provided by NASBA must be submitted to demonstrate education and degree requirements. Photocopies of transcripts must not be accepted.(1) Accredited Education: The board shall accept transcripts from a college or university holding an accreditation from an accreditation body approved by the United States Department of Education. This includes all educational training, and experience completed by an individual as a member of the military as outlined in Section 40‑1‑640.

(2) Unaccredited Education: In addition to accredited education, the board may recognize and accept up to thirty hours of educational credit from nonaccredited sources, subject to the following conditions:

(a) The educational content from nonaccredited sources shall not redundantly cover subject matter already stipulated under accredited criteria.

(b) Documentation to demonstrate the educational value and relevance of these experiences. This documentation should clearly outline the learning objectives, duration, and assessment methods used.

(c) Nonaccredited educational experiences may include, but are not limited to, unaccredited courses, apprenticeships, certificate programs, experiential learning, or alternative educational programs.

(d) Approval of nonaccredited educational credits is contingent upon the applicant’s prior fulfillment of all prerequisites detailed in subsection (C)(1)(a), (b), and (c).

(3) Evaluation and Approval Process: The board shall establish a standardized process for evaluating and approving non‑accredited educational experiences. This process must ensure that such experiences meet the educational standards necessary for CPA licensure in South Carolina.

(F) To meet the exam requirement, a candidate must pass all sections of the Uniform CPA Examination.

(1) A candidate may take the required test sections individually and in any order. Credit for any test section passed is valid for eighteen monthsthirty‑six months from the actual date the candidate took that test section, without having to attain a minimum score on any failed test section and without regard to whether the candidate has taken other test sections.

(a) A candidate must pass all sections of the Uniform CPA Examination within a rolling eighteen‑monththirty‑six-month period, which begins on the date that the first test section is passed. The board by regulation may provide additional time to an applicant on active military serviceapplicants. The board also may accommodate any hardship which results from the conditions of administration of the examination.

(b) A candidate who applies for a license more than three years after the date upon which the candidate passed the last section of the Uniform CPA Examination must also document one hundred twenty hours of acceptable continuing professional education in order to qualify, in addition to all other requirements imposed by this section.

(2) A candidate may arrange to have credits for passing sections of the Uniform CPA Examination under the jurisdiction of another state or territory of the United States transferred to this State. Credits transferred for less than all sections of the examination are subject to the same conditional credit rules as if the examination had been taken in South Carolina.

(G) An applicant shall attain the following experience:

(1) at least one year of accounting experience, which must include providing a service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills verified by a CPA in government, industry, academia, or public practice or verified by a valid report from NASBA's Experience Verification. This experience may be supervised by a non‑licensee but must be verified by a CPA with directpersonal knowledge of the experience who is licensed to practice accounting in some state or territory of the United States or the District of Columbia for the duration of the qualifying experience;

(2) teaching experience to include at least twenty‑four semester hours of teaching courses that are applicable to a baccalaureate, masters, or doctoral degree and which may cover subject matter areas such as financial accounting, taxation, and auditing, taught at the intermediate accounting level or above. This experience may be supervised by a non‑licensee but must be verified by a CPA with directpersonal knowledge of the experience who is licensed to practice accounting in any state or territory of the United States or the District of Columbia for the duration of the qualifying experience; or

(3) submitting Substantial Equivalency Evaluation report from the NASBA National Qualification Appraisal Service verification that his CPA qualifications are substantially equivalent to the CPA licensure requirements of the AICPA and NASBA Uniform Accountancy Act; or

(4) any combination of experience determined by the board to be substantially equivalent to the foregoing.

SECTION 4. Section 40‑2‑40(B) and (C) of the S.C. Code is amended to read:

(B) The following must hold a registration issued pursuant to this section:

(1) a firm with an office in this State performing attest services as defined in Section 40‑2‑20(2), or performing compilation services as defined in Section 40‑2‑20(6), or engaging in the practice of accounting as defined in Section 4‑2‑20(23);

(2) a firm with an office in this State that uses the title “CPA” or “CPA firm”; or

(3) a firm that does not have an office in this State but performs attest services described in Section 40‑2‑20(2), or performs compilation services as defined in Section 40‑2‑20(6), for a client in this State, unless it is exempt from registration pursuant to Section 40‑2‑30(I).

(C) Qualifications for registration as a certified public accountant firm are as follows:

(1) A simple majority of the firm ownership in terms of financial interests and voting rights of all partners, officers, shareholders, members, or managers must belong to certified public accountants currently licensed in some state. Although firm ownership may include non‑CPA owners, the firm and its owners must comply with regulations promulgated by the board. All non‑CPA owners must be active individual participants in the firm or affiliated entities.

(2) Partners, officers, shareholders, members, or managers whose principal place of business is in this State, and who also perform professional services in this State, must hold a valid license issued pursuant to this section. An individual who has practice privileges under Section 40‑2‑245 must not be required to obtain a license from this State pursuant to Section 40‑2‑35.

(3) For firms registering under subsection (B)(1)(a) or (b), there must be a designated resident manager in charge of each office in this State who must be a certified public accountant licensed in this State.

(4) Non‑CPA owners must not assume ultimate responsibility for any financial statement, attest, or compilation engagement.

(5) Non‑CPA owners shall abide by the code of professional ethics adopted pursuant to this chapter.

(6) Owners shall at all times maintain ownership equity in their own right and must be the beneficial owners of the equity capital ascribed to them. Provision must be made for the ownership to be transferred to the firm or to other qualified owners if the noncertified public accountant owner ceases to be an active individual participant in the firm.

(7)(a) This section applies only to non‑CPA owners who are residents of this State.

(b) Non‑CPA owners must complete the same number of hours of continuing professional education as licensed certified public accountants in this State, including the annual ethics requirement pursuant to Section 40‑2‑250(C)(6).

(c) Non‑CPA owners who are licensed professionals subject to continuing education requirements applicable to that profession may complete the required number of continuing professional education hours in courses offered or accepted by organizations or regulatory bodies governing that profession, and also must complete the same number of hours of continuing professional education as licensed certified public accountants in this State.

(8) A certified public accounting firm and its designated resident manager under item (3) are responsible for the following in regard to a noncertified public accountant owner:

(a) a non‑CPA owner shall comply with all applicable accountancy statutes and regulations; and

(b) a non‑CPA owner shall be of good moral character and shall not engage in any conduct that, if committed by a licensee, would constitute a violation of the regulations promulgated by the board.

SECTION 5. Section 40‑2‑80(B) of the S.C. Code is amended to read:

(B)(1) An investigation of a licensee pursuant to this chapter must be performed by an inspector‑investigator who has been licensed as a certified public accountant in this State for at least five years. The inspector‑investigator must report the results of his investigation to the board no later than one hundred fifty days after the date upon which he initiated his investigation. If the inspector‑investigator has not completed his investigation by that date, then the board may extend the investigation for a period defined by the board. The board may grant subsequent extensions to complete the investigation as needed. The inspector‑investigator may designate additional persons of appropriate competency to assist in an investigation.

(2) The department shall annually post a report related to the number of complaints received, the number of investigations initiated, the average length of investigations, and the number of investigations that exceeded one hundred fifty days.

SECTION 6. Section 40‑2‑240 of the S.C. Code is amended to read:

Section 40‑2‑240. (A) The board shall issue a license to an applicant who holds a certificate, license, or permit issued under the laws of any state or territory of the United States or the District of Columbia or any authority outside the United States upon a showing that the applicant:

(1) holds a valid certified public accountant license from a substantially equivalent jurisdiction and may lawfully practice in the jurisdiction in which he is licensed;

(2) submits to the board a substantial equivalency evaluation report from the NASBA National Qualification Appraisal Service verification that his CPA qualifications are substantially equivalent to the CPA licensure requirements of the AICPA and NASBA Uniform Accountancy Act; or

(3) submits to the board evidence that he has passed the CPA Examination and, within the ten years prior to applying, has acquired four years of experience of the type described in Section 40‑2‑35(G) after passing the examination upon which the applicant's certificate, license, or permit was issued.The board shall issue a license to an applicant who:

(1) possesses an active certificate, license, or permit issued under the laws of any state, territory within the United States, the District of Columbia, or any foreign authority, the latter being recognized by the International Qualifications Appraisal Board (IQAB) and subject to Mutual Recognition Agreements (MRAs); and

(2) is legally authorized to practice in the jurisdiction where the existing license is held; and

(3) certifies that they are in compliance with the Continuing Professional Education (CPE) requirements as determined by the jurisdiction where the existing license is held.

(B) To apply for a license pursuant to this section, an applicant must:

(1) identify all jurisdictions, foreign and domestic, in which the applicant has applied for or holds a designation to practice public accountancy or in which any applications have been denieddisclose all domestic and foreign jurisdictions where the applicant has either applied for or holds a designation to practice public accountancy or where any such applications have been denied; and

(2) demonstrate the completion of eighty hours of qualified continuing professional education within the last two years; and

(3)(2) file an application with the board together with the application fee prescribed by the boardsubmit an application to the board and remit the requisite application fee as prescribed by the board.

(C) Each person issued a license pursuant to this section shall notify the board in writing within thirty days after any issuance, denial, revocation, or suspension of a designation or commencement of a disciplinary or enforcement action against the licensee by any jurisdictionEach licensee awarded a license under this section shall notify the board in writing within thirty days following any issuance, denial, revocation, or suspension of a designation or initiation of any disciplinary or enforcement action against the licensee by any jurisdiction.

SECTION 7. Section 40‑2‑245 of the S.C. Code is amended to read:

Section 40‑2‑245. (A) An individual whose principal place of business is outside this State is presumed to have qualifications substantially equivalent to this state's requirements and may exercise all the privileges of licensees of this State without the need to obtain a license under Section 40‑2‑35 if the individual holds a valid license as a certified public accountant from a substantially equivalent jurisdiction as set out in Section 40‑2‑20(33) and can lawfully practice in the jurisdiction where privileges have been granted.Individuals whose principal place of business is outside this State, possessing an active certificate, license, or permit issued under the laws of any state, territory within the United States, the District of Columbia, or any foreign authority recognized by the IQAB and subject to MRAs, are presumed to have qualifications equivalent to the requirements of this State. Such individuals may exercise all the privileges of this State’s licensees without obtaining a license under Section 40‑2‑35, provided they are lawfully authorized to practice in their licensing jurisdiction.

(B) Notwithstanding any other provision of law, an individual who offers or renders professional services, whether in person or by mail, telephone, or electronic means pursuant to this section is granted practice privileges in this State subject to the requirements of subsection (C). No notice, fee, or other submission may be required of the individual.Notwithstanding another provision of law, an individual who offers or renders professional services, whether in person or by mail, telephone, or electronic means pursuant to this section, is granted practice privileges in this State subject to the requirements of subsection (C). No notice, fee, or other submission may be required of the individual.

(C) An individual licensee or holder of a permit to practice in another state exercising the privilege afforded under this section and the firm that employs that licensee simultaneously consents, as a condition of exercising this privilege:

(1) to the personal and subject matter jurisdiction and disciplinary authority of the board;

(2) to comply with the provisions of this section and the regulations promulgated pursuant to this section;

(3) that in the event the license or permit to practice from the state of the individual's principal place of business is no longer valid, to cease offering or rendering professional services in this State individually and on behalf of a firm; and

(4) to have an administrative notice of hearing served on the board in the individual’s principal state of business in any action or proceeding by this board against the licensee.By exercising the privileges under this section, an individual licensee or holder of a permit to practice from another jurisdiction and the firm employing that licensee inherently consent to:

(1) the personal and subject matter jurisdiction, as well as the disciplinary authority of the board;

(2) compliance with the regulations and provisions of this section;

(3) cease offering or rendering professional services in this State individually or on behalf of a firm, if their license from their principal place of business is no longer valid; and

(4) have an administrative notice of hearing served on the board in the individual’s principal state of business in any action or proceeding by this board against the licensee.

(D) A licensee of this State offering or rendering services or using his or her CPA title in another state is subject to disciplinary action in this State for an act committed in another state for which the licensee would be subject to discipline for an act committed in the other state. The board shall investigate any complaint made by the board of accountancy of another state.

SECTION 8. This act takes effect upon approval by the Governor.

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