

CR 93-226

CERTIFICATE

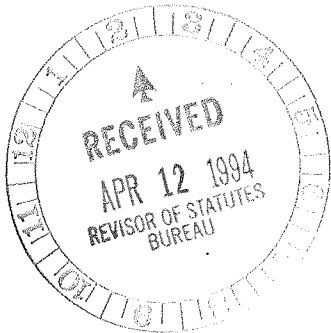
**STATE OF WISCONSIN
DEPARTMENT OF REGULATION AND LICENSING**

TO ALL WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Pat Reuter, Director, Bureau of Business and Design Professions in the Wisconsin Department of Regulation and Licensing and custodian of the official records of the Accounting Examining Board, do hereby certify that the annexed rules were duly approved and adopted by the Accounting Examining Board on the 5th day of April, 1994.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the board at 1400 East Washington Avenue, Madison, Wisconsin this 5th day of April, 1994.

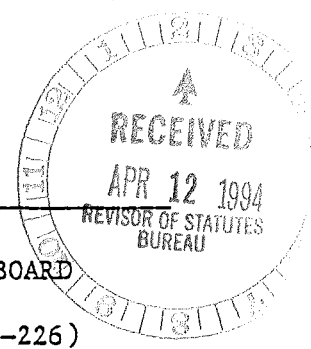


Pat Reuter

**Pat Reuter, Director
Bureau of Business and Design
Professions
Department of Regulation and
Licensing**

6-4-94

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 93-226)

ORDER

An order of the Accounting Examining Board to repeal and recreate Accy 1.405 (1) (intro.) relating to the organization form in which certified public accounting may be practiced.

Analysis prepared by the Department of Regulation and Licensing.

ANALYSIS

Statutes authorizing promulgation: ss. 15.08 (5) (b), 227.11 (2), 442.03 and 442.07, Stats.

Statutes interpreted: ss. 442.03 and 442.07, Stats.

In this proposed rule-making order, the Accounting Examining Board repeals and recreates s. Accy 1.405 (1) (intro.).

The current rule prohibits certified public accountants and certified public accounting firms from practicing in any business form other than a sole proprietorship, partnership or service corporation. The board believes that there is no substantial regulatory purpose to be served by restricting certified public accounting firms in their choice of business form, and that they should be permitted to practice in any business organization form otherwise permitted under state law.

By virtue of recently enacted 1993 Wisconsin Act 112, effective January 1, 1994, this state recognized Limited Liability Companies (LLC) as a new form of business organization. An LLC is essentially a "hybrid" form which combines the corporate aspect of limited liability for its owners with the single-level flow-through taxation and operating flexibility of a partnership. The current rule of the board would prevent a certified public accounting firm from operating as an LLC, since it is a business organization other than a sole proprietorship, partnership or service corporation. In order to provide certified public accounting firms with the option of the LLC organization form, it is necessary that the rule be modified.

Permitting certified public accounting firms to practice as LLC's will not adversely impact upon the ability of the public to obtain monetary damages upon the individual certified public accountants within the firm responsible for any negligence or other actionable conduct. At the same time, it would provide a reasonable limitation from personal liability for individual certified public accountants within a firm who were not participants in the actionable conduct. Reducing the individual exposure to liability should also result in lessening the need for obtaining excessive liability insurance, thus reducing costs to the consumer. Furthermore, the rule change would have no effect upon the current ability of the board to take disciplinary action

against an individual certified public accountant who engages in unprofessional conduct.

Finally, although difficult to determine with precision at this time, the fiscal impact upon state tax revenues should be negligible. Certified public accounting firms currently operate as partnerships, for which LLC taxation would be the same, or as service corporations which have elected "Subchapter S" tax status which, generally stated, results in the firm receiving most partnership-taxation benefits.

TEXT OF RULE

SECTION 1. Accy 1.405 (1) (intro.) is repealed and recreated to read:

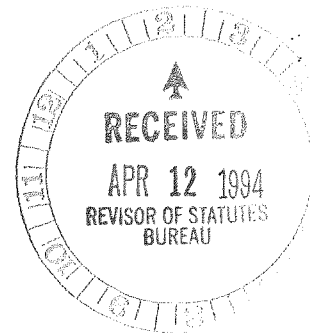
Accy 1.405 FORM OF PRACTICE AND NAME. (1) (intro.) Individuals or firms may practice as a certified public accountant in any organization form permitted by state law.

(END OF TEXT OF RULE)

The rules adopted in this order shall take effect 60 days after its final adoption by the Accounting Examining Board pursuant to s. 442.01 (2), Stats.

Dated April 5, 1994

Agency J. Paul D. Broussard
Chairperson
Accounting Examining Board



CORRESPONDENCE/MEMORANDUM

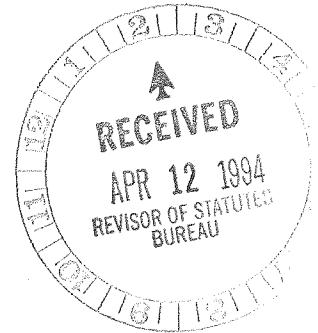
STATE OF WISCONSIN

DATE: April 12, 1994

TO: Gary Poulson
Assistant Revisor of Statutes

FROM: Pamela A. Haack, Administrative Assistant
Department of Regulation and Licensing
Office of Administrative Rules

SUBJECT: Final Rulemaking Order



Agency: ACCOUNTING EXAMINING BOARD

Clearinghouse Rule: 93-226

Attached is a copy and a certified copy of a final order adopting rules. Would you please publish these rules in the code.

Please stamp or sign a copy of this letter to acknowledge receipt.

Thank you.