
ACCOUNTANCY BOARD

- Modifies the percentage of owners who must hold an Ohio permit or foreign certificate for a public accounting firm to register in Ohio.
- Changes references to ownership interests in a public accounting firm from “equity interest” to “equity interest or shares.”

Public accounting firm ownership interests and registration

(R.C. 4701.01, 4701.04, and 4701.16)

The bill requires a public accounting firm, as a condition to register and practice public accounting in Ohio, to have more than 50% of the firm’s total equity interest or shares owned by individuals who hold a permit to practice public accounting issued under Ohio law (referred to as an “Ohio permit”) or a license, permit, certificate, or registration issued under laws of another state authorizing the holder to practice public accounting in that state (referred to as a “foreign certificate”).

Currently, as a condition of registration, every owner of an equity interest in an Ohio public accounting firm must hold an Ohio permit or a foreign certificate or satisfy specific requirements, including meeting continuing education and ethics standards established in rules adopted by the Accountancy Board. The bill maintains the requirements for any owner of an equity interest or shares in a firm who does not have an Ohio permit or foreign certificate.

Under the bill, if a public accounting firm has a board of directors, more than 50% of the directors must hold an Ohio permit or a foreign certificate. Additionally, if the firm has an employee stock ownership plan (ESOP), more than 50% of the plan’s trustees must hold an Ohio permit or a foreign certificate. Current law does not have specific requirements for a firm’s board of directors or trustees of an ESOP.

Continuing law requires a public accounting firm to satisfy all the following additional requirements to register:

- The firm must designate, and identify to the Board, an Ohio permit holder who will be responsible for registration;
- Every person in the firm who signs any attest report issued from a firm office located in Ohio must hold an Ohio permit;
- An individual who owns an interest in the firm or is employed by the firm and who holds an Ohio permit or a foreign certificate, or a qualified firm that owns an interest in the firm, must assume ultimate responsibility for any attest report issued from an Ohio office of the firm;
- The firm must provide for the transfer of an interest owned by persons who do not hold an Ohio permit or a foreign certificate to either the firm or to another person who owns

an interest in the firm if a person who does not hold an Ohio permit or a foreign certificate withdraws from or ceases to be employed by the firm.

The bill also changes references to “equity interest” in the Accountancy Law to “equity interest or shares.” It is unclear whether the change makes a substantive difference because the law defines “equity interest” as “any capital interest or profit interest,” which appears to include shares in a corporation.¹

¹ See Internal Revenue Service, [Capital gains and losses](#), which is available by conducting a keyword “topic no. 409” search on the Internal Revenue Service website: [irs.gov](https://www.irs.gov).