



## 98TH GENERAL ASSEMBLY

### State of Illinois

### 2013 and 2014

#### HB4707

by Rep. Robert Rita

#### SYNOPSIS AS INTRODUCED:

225 ILCS 450/8.05	
225 ILCS 450/14.2	
225 ILCS 450/14.4	
225 ILCS 450/16	from Ch. 111, par. 5517
225 ILCS 450/17.1	from Ch. 111, par. 5518.1

Amends the Illinois Public Accounting Act. Provides that any individual who is the holder of a current and valid license as a certified public accountant of any state who has properly applied to the Department of Financial and Professional Regulation for licensure by endorsement may perform accountancy activities until the expiration of 6 months after the filing of the application or until the denial of the application by the Department, whichever occurs earlier. Provides that any licensed CPA who is a sole practitioner and who has permitted his or her license to expire or become inactive is required to complete the peer review process established under the Act in order to have his or her license restored by the Department. Further provides that any firm that has permitted its license to expire may have its license restored by making application to the Department, filing proof acceptable to the Department of its fitness for licensure, paying the required restoration fee, and completing the peer review process.

LRB098 17321 ZMM 52417 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Public Accounting Act is amended by  
5 changing Sections 8.05, 14.2, 14.4, 16, and 17.1 as follows:

6 (225 ILCS 450/8.05)

7 (Section scheduled to be repealed on January 1, 2024)

8 Sec. 8.05. Accountancy activities.

9 (a) Accountancy activities are services performed by a CPA,  
10 including:

11 (1) signing, affixing, or associating the names used by  
12 a person or CPA firm to any report expressing an assurance  
13 on a financial statement or disclaiming an opinion on a  
14 financial statement based on an audit or examination of  
15 that statement or to express assurance on a financial  
16 statement;

17 (2) other attestation engagements not otherwise  
18 defined in paragraph (1); or

19 (3) offering to perform or performing one or more types  
20 of the following services involving the use of professional  
21 skills or competencies: accounting, management, financial  
22 or consulting services, compilations, internal audit,  
23 preparation of tax returns, furnishing advice on tax

1 matters, bookkeeping, or representations of taxpayers;  
2 this includes the teaching of any of these areas at the  
3 college or university level.

4 (b) If offering or performing accountancy activities using  
5 the CPA title set forth in paragraphs (1), (2), and (3) of  
6 subsection (a) of this Section, then:

7 (1) the activities identified in paragraph (1) of  
8 subsection (a) may only be performed by licensed CPAs;

9 (2) the activities identified in paragraph (2) of  
10 subsection (a) may only be performed by licensed or  
11 registered CPAs; and

12 (3) the activities identified in paragraph (3) of  
13 subsection (a) are not restricted to licensed or registered  
14 CPAs, subject to the provisions of Section 9 ~~9.02~~ of this  
15 Act.

16 (Source: P.A. 98-254, eff. 8-9-13.)

17 (225 ILCS 450/14.2)

18 (Section scheduled to be repealed on January 1, 2024)

19 Sec. 14.2. Licensure by endorsement.

20 (a) The Department shall issue a license as a licensed CPA  
21 to any applicant who holds a current, valid, and unrevoked  
22 license as a certified public accountant issued from another  
23 state with equivalent educational requirements and examination  
24 standards, applies to the Department on forms supplied by the  
25 Department, and pays the required fee, provided:

1           (1) the individual applicant is determined by the  
2 Department to possess qualifications substantially  
3 equivalent to this State's current licensing requirements;

4           (2) at the time the applicant received his or her  
5 license, the applicant possessed qualifications  
6 substantially equivalent to the qualifications for  
7 licensure then in effect in this State; or

8           (3) the applicant has, after passing the examination  
9 upon which his or her license to practice was based, not  
10 less than 4 years of experience as outlined in Section 14  
11 of this Act within the 10 years immediately before the  
12 application.

13           (b) In determining the substantial equivalency of any  
14 state's requirements to Illinois' requirements, the Department  
15 may rely on the determinations of the National Qualification  
16 Appraisal Service of the National Association of State Boards  
17 of Accountancy or such other qualification appraisal service as  
18 it deems appropriate.

19           (c) Applicants have 3 years from the date of application to  
20 complete the application process. If the process has not been  
21 completed in 3 years, the application shall be denied, the fee  
22 shall be forfeited, and the applicant must reapply and meet the  
23 requirements in effect at the time of reapplication.

24           (d) Any individual who is the holder of a current and valid  
25 license as a certified public accountant of any state and has  
26 applied in writing to the Department in form and substance

1 satisfactory to the Department for a license as a licensed CPA  
2 may perform accountancy activities as set forth in Section 8.05  
3 until the earlier of the following dates:

4 (1) the expiration of 6 months after filing the written  
5 application; or

6 (2) the denial of the application by the Department.

7 (Source: P.A. 98-254, eff. 8-9-13.)

8 (225 ILCS 450/14.4)

9 (Section scheduled to be repealed on January 1, 2024)

10 Sec. 14.4. Qualifications for licensure as a CPA firm. The  
11 Department may license as licensed CPA firms individuals or  
12 entities meeting the following requirements:

13 (1) A majority of the ownership of the firm, in terms  
14 of financial interests and voting rights of all partners,  
15 officers, shareholders, or members, ~~or~~ belongs to persons  
16 licensed or registered in some state. All partners,  
17 officers, shareholders, or members, whose principal place  
18 of business is in this State and who have overall  
19 responsibility for accountancy activities in this State,  
20 as defined in paragraph (1) of subsection (a) of Section  
21 8.05 of this Act, must hold a valid license as a licensed  
22 CPA issued by this State. An individual exercising the  
23 practice privilege afforded under Section 5.2 who performs  
24 services for which a firm license is required under  
25 subsection (d) of Section 5.2 shall not be required to

1 obtain an individual license under this Act.

2 (2) All owners of the CPA firm, whether licensed as a  
3 licensed CPA or not, shall be active participants in the  
4 CPA firm or its affiliated entities and shall comply with  
5 the rules adopted under this Act.

6 (3) It shall be lawful for a nonprofit cooperative  
7 association engaged in rendering an auditing and  
8 accounting service to its members only to continue to  
9 render that service provided that the rendering of auditing  
10 and accounting service by the cooperative association  
11 shall at all times be under the control and supervision of  
12 licensed CPAs.

13 (4) An individual who supervises services for which a  
14 license is required under paragraph (1) of subsection (a)  
15 of Section 8.05 of this Act, who signs or authorizes  
16 another to sign any report for which a license is required  
17 under paragraph (1) of subsection (a) of Section 8.05 of  
18 this Act, or who supervises services for which a CPA firm  
19 license is required under subsection (d) of Section 5.2 of  
20 this Act shall hold a valid, active licensed CPA license  
21 from this State or another state considered to be  
22 substantially equivalent under paragraph (1) of subsection  
23 (a) of Section 5.2.

24 (5) The CPA firm shall designate to the Department in  
25 writing an individual licensed as a licensed CPA under this  
26 Act or, in the case of a firm that must have a CPA firm

1 license pursuant to subsection (b) of Section 13 of this  
2 Act, a licensee of another state who meets the requirements  
3 set out in paragraph (1) or (2) of subsection (a) of  
4 Section 5.2 of this Act, who shall be responsible for the  
5 proper licensure of the CPA firm.

6 (Source: P.A. 98-254, eff. 8-9-13.)

7 (225 ILCS 450/16) (from Ch. 111, par. 5517)

8 (Section scheduled to be repealed on January 1, 2024)

9 Sec. 16. Expiration and renewal of licenses; renewal of  
10 registration; continuing education; peer review.

11 (a) The expiration date and renewal period for each license  
12 or registration issued under this Act shall be set by rule.

13 (b) Every holder of a license or registration under this  
14 Act may renew such license or registration before the  
15 expiration date upon payment of the required renewal fee as set  
16 by rule.

17 (c) Every application for renewal of a license by a  
18 licensed CPA who has been licensed under this Act for 3 years  
19 or more shall be accompanied or supported by any evidence the  
20 Department shall prescribe, in satisfaction of completing,  
21 each 3 years, not less than 120 hours of continuing  
22 professional education as prescribed by Department rules. Of  
23 the 120 hours, not less than 4 hours shall be courses covering  
24 the subject of professional ethics. All continuing education  
25 sponsors applying to the Department for registration shall be

1 required to submit an initial nonrefundable application fee set  
2 by Department rule. Each registered continuing education  
3 sponsor shall be required to pay an annual renewal fee set by  
4 Department rule. Publicly supported colleges, universities,  
5 and governmental agencies located in Illinois are exempt from  
6 payment of any fees required for continuing education sponsor  
7 registration. Failure by a continuing education sponsor to be  
8 licensed or pay the fees prescribed in this Act, or to comply  
9 with the rules and regulations established by the Department  
10 under this Section regarding requirements for continuing  
11 education courses or sponsors, shall constitute grounds for  
12 revocation or denial of renewal of the sponsor's registration.

13 (d) Licensed CPAs are exempt from the continuing  
14 professional education requirement for the first renewal  
15 period following the original issuance of the license.

16 Failure by an applicant for renewal of a license as a  
17 licensed CPA to furnish the evidence shall constitute grounds  
18 for disciplinary action, unless the Department in its  
19 discretion shall determine the failure to have been due to  
20 reasonable cause. The Department, in its discretion, may renew  
21 a license despite failure to furnish evidence of satisfaction  
22 of requirements of continuing education upon condition that the  
23 applicant follow a particular program or schedule of continuing  
24 education. In issuing rules and individual orders in respect of  
25 requirements of continuing education, the Department in its  
26 discretion may, among other things, use and rely upon



1 guidelines and pronouncements of recognized educational and  
2 professional associations; may prescribe rules for the  
3 content, duration, and organization of courses; shall take into  
4 account the accessibility to applicants of such continuing  
5 education as it may require, and any impediments to interstate  
6 practice of public accounting that may result from differences  
7 in requirements in other states; and may provide for relaxation  
8 or suspension of requirements in regard to applicants who  
9 certify that they do not intend to engage in the performance of  
10 accountancy activities, and for instances of individual  
11 hardship.

12 The Department shall establish by rule a means for the  
13 verification of completion of the continuing education  
14 required by this Section. This verification may be accomplished  
15 through audits of records maintained by licensees; by requiring  
16 the filing of continuing education certificates with the  
17 Department; or by other means established by the Department.

18 The Department may establish, by rule, guidelines for  
19 acceptance of continuing education on behalf of licensed CPAs  
20 taking continuing education courses in other jurisdictions.

21 (e) For renewals on and after July 1, 2012, as a condition  
22 for granting a renewal license to CPA firms and sole  
23 practitioners who perform accountancy activities outlined in  
24 paragraph (1) of subsection (a) of Section 8.05 under this Act,  
25 the Department shall require that the CPA firm or sole  
26 practitioner satisfactorily complete a peer review during the

1 immediately preceding 3-year period, accepted by a Peer Review  
2 Administrator in accordance with established standards for  
3 performing and reporting on peer reviews, unless the CPA firm  
4 or sole practitioner is exempted under the provisions of  
5 subsection (i) of this Section. A CPA firm or sole practitioner  
6 shall, at the request of the Department, submit to the  
7 Department a letter from the Peer Review Administrator stating  
8 the date on which the peer review was satisfactorily completed.

9 A new CPA firm or sole practitioner shall not be required  
10 to comply with the peer review requirements for the first  
11 license renewal. A CPA firm or sole practitioner shall undergo  
12 its first peer review during the first full renewal cycle after  
13 it is granted its initial license.

14 The requirements of this subsection (e) shall not apply to  
15 any person providing services requiring a license under this  
16 Act to the extent that such services are provided in the  
17 capacity of an employee of the Office of the Auditor General or  
18 to a nonprofit cooperative association engaged in the rendering  
19 of licensed service to its members only under paragraph (3) of  
20 Section 14.4 of this Act or any of its employees to the extent  
21 that such services are provided in the capacity of an employee  
22 of the association.

23 (f) The Department shall approve only Peer Review  
24 Administrators that the Department finds comply with  
25 established standards for performing and reporting on peer  
26 reviews. The Department may adopt rules establishing

1 guidelines for peer reviews, which shall do all of the  
2 following:

3 (1) Require that a peer review be conducted by a  
4 reviewer that is independent of the CPA firm reviewed and  
5 approved by the Peer Review Administrator under  
6 established standards.

7 (2) Other than in the peer review process, prohibit the  
8 use or public disclosure of information obtained by the  
9 reviewer, the Peer Review Administrator, or the Department  
10 during or in connection with the peer review process. The  
11 requirement that information not be publicly disclosed  
12 shall not apply to a hearing before the Department that the  
13 CPA firm or sole practitioner requests be public or to the  
14 information described in paragraph (3) of subsection (i) of  
15 this Section.

16 (g) If a CPA firm or sole practitioner fails to  
17 satisfactorily complete a peer review as required by subsection  
18 (e) of this Section or does not comply with any remedial  
19 actions determined necessary by the Peer Review Administrator,  
20 the Peer Review Administrator shall notify the Department of  
21 the failure and shall submit a record with specific references  
22 to the rule, statutory provision, professional standards, or  
23 other applicable authority upon which the Peer Review  
24 Administrator made its determination and the specific actions  
25 taken or failed to be taken by the licensee that in the opinion  
26 of the Peer Review Administrator constitutes a failure to

1 comply. The Department may at its discretion or shall upon  
2 submission of a written application by the CPA firm or sole  
3 practitioner hold a hearing under Section 20.1 of this Act to  
4 determine whether the CPA firm or sole practitioner has  
5 complied with subsection (e) of this Section. The hearing shall  
6 be confidential and shall not be open to the public unless  
7 requested by the CPA firm or sole practitioner.

8 (h) The CPA firm or sole practitioner reviewed shall pay  
9 for any peer review performed. The Peer Review Administrator  
10 may charge a fee to each firm and sole practitioner sufficient  
11 to cover costs of administering the peer review program.

12 (i) A CPA firm or sole practitioner shall not be required  
13 to comply with the peer review requirements if:

14 (1) Within 3 years before the date of application for  
15 renewal licensure, the sole practitioner or CPA firm has  
16 undergone a peer review conducted in another state or  
17 foreign jurisdiction that meets the requirements of  
18 paragraphs (1) and (2) of subsection (f) of this Section.

19 The sole practitioner or CPA firm shall, at the request of  
20 the Department, submit to the Department a letter from the  
21 organization administering the most recent peer review  
22 stating the date on which the peer review was completed; or

23 (2) Within 2 years before the date of application for  
24 renewal licensure, the sole practitioner or CPA firm  
25 satisfies all of the following conditions:

26 (A) has not accepted or performed any accountancy

1 activities outlined in paragraph (1) of subsection (a)  
2 of Section 8.05 of this Act; and

3 (B) the firm or sole practitioner agrees to notify  
4 the Peer Review Administrator within 30 days of  
5 accepting an engagement for services requiring a  
6 license under this Act and to undergo a peer review  
7 within 18 months after the end of the period covered by  
8 the engagement; or

9 (3) For reasons of personal health, military service,  
10 or other good cause, the Department determines that the  
11 sole practitioner or firm is entitled to an exemption,  
12 which may be granted for a period of time not to exceed 12  
13 months.

14 (j) If a peer review report indicates that a CPA firm or  
15 sole practitioner complies with the appropriate professional  
16 standards and practices set forth in the rules of the  
17 Department and no further remedial action is required, the Peer  
18 Review Administrator shall, after issuance of the final letter  
19 of acceptance, destroy all working papers and documents related  
20 to the peer review, other than report-related documents and  
21 documents evidencing completion of remedial actions, if any, in  
22 accordance with rules established by the Department.

23 (k) (Blank).

24 (Source: P.A. 98-254, eff. 8-9-13.)

25 (225 ILCS 450/17.1) (from Ch. 111, par. 5518.1)

1 (Section scheduled to be repealed on January 1, 2024)

2 Sec. 17.1. Restoration.

3 (a) Any registered CPA who has permitted his or her  
4 registration to expire or who has had his or her registration  
5 on inactive status may have his or her registration restored by  
6 making application to the Department and filing proof  
7 acceptable to the Department as defined by rule of his or her  
8 fitness to have his or her registration restored, which may  
9 include sworn evidence certifying to active practice in another  
10 jurisdiction satisfactory to the Department and by paying the  
11 required restoration fee.

12 (b) Any licensed CPA who has permitted his or her license  
13 to expire or who has had his or her license on inactive status  
14 may have his or her license restored by (1) making application  
15 to the Department and filing proof acceptable to the Department  
16 as defined by rule of his or her fitness to have his or her  
17 license restored, including sworn evidence certifying to  
18 active practice in another jurisdiction satisfactory to the  
19 Department, (2) ~~and by~~ paying the required restoration fee, (3)  
20 ~~and by~~ submitting proof of the required continuing education  
21 and (4) in the case of a sole practitioner, satisfactory  
22 completion of peer review outlined in subsection (e) of Section  
23 16, unless exempt from peer review under subsection (i) of  
24 Section 16.

25 (c) Any firm that has permitted its license to expire may  
26 have its license restored by (1) making application to the

1 Department and filing proof acceptable to the Department as  
2 defined by rule of its fitness to have its license restored,  
3 including sworn evidence certifying to active practice in  
4 another jurisdiction satisfactory to the Department, (2)  
5 paying the required restoration fee, and (3) satisfactory  
6 completion of peer review outlined in subsection (e) of Section  
7 16, unless exempt from peer review under subsection (i) of  
8 Section 16.

9 (d) If the licensed CPA or registered CPA has not  
10 maintained an active practice in another jurisdiction  
11 satisfactory to the Department, the Department shall  
12 determine, by an evaluation program established by rule,  
13 fitness to resume active status and may require the applicant  
14 to complete a period of supervised experience.

15 Any licensed CPA or registered CPA whose license or  
16 registration expired while he or she was (1) in Federal Service  
17 on active duty with the Armed Forces of the United States, or  
18 the State Militia called into service or training, or (2) in  
19 training or education under the supervision of the United  
20 States preliminary to induction into the military service, may  
21 have his or her license or registration renewed reinstated or  
22 restored without paying any lapsed renewal and restoration fees  
23 if within 2 years after honorable termination of such service,  
24 training or education except under conditions other than  
25 honorable, he or she furnished the Department with satisfactory  
26 evidence to the effect that he or she has been so engaged and

1 that his or her service, training, or education has been so  
2 terminated.

3 (Source: P.A. 98-254, eff. 8-9-13.)