Non-CPA ownership legislation in stalemate

State Assembly has been the chief opposition

By CLAUDE SOLNIK

Despite widespread agreement that people other than CPAs should be able to own a stake in accounting firms, legislation has remained in limbo amid a disagreement over the percentage of ownership that should be allowed.

In 1994, Nebraska became the first state to allow non-CPA ownership, followed by North Carolina in 1995. Today, only New York, Delaware and Hawaii do not allow for non-CPA ownership.

"Firms throughout New York State have gotten behind this legislation substantially," said Joseph Falbo Jr., president of the New York State Society of Certified Public Accountants and a tax partner at Tronconi Segarra & Associates in Buffalo. "It makes New York State more competitive."

DEBORAH GLICK: Non-CPAs should be able to own up to 25 percent of firms.

Falbo sees the legislation, introduced annually since 2013, as recognizing changes in accounting, as lawyers, information technology consultants, engineers and others join.

"It would allow CPA firms to recruit and retain many professionals more competitively," Falbo said. "If I can retain professionals that help me provide the best possible service, I can't think of anybody who wouldn't want me to do that."

Other accountants agreed that their firms today extend far beyond CPAs, making non-CPA ownership essential and long overdue. They say it's not appropriate to have two classes of accounting firm citizens.

"We've got so many subject matter experts who are not CPAs," said Andrew Cohen, a partner at WeiserMazars in Woodbury. "We have lawyers who practice tax law, IT consultants, healthcare consultants."

Ron Eagar, chief operating officer at Grassi & Co. in Jericho, sees the legislation as important in keeping New York firms on pace with competitors around the nation.

"New York State's been on the tail end of the profession to adopt this," Eagar said. "We have to compete against other CPA firms and consulting firms. When they can become a future owner, that's a big enticement to talented people."

Legislation allowing up to 49 percent non-CPA ownership passed the New York State Senate two consecutive years, but died in the Assembly's higher education committee.

ANDREW COHEN: It's time for New York to let non-CPAs own a stake in accounting firms.

The higher education committee, led by Deborah Glick, D-Manhattan, is pushing for a 25 percent stake, the amount granted to engineers and accountants in New York several years ago.

"The accounting firms have been offered the same opportunity and have said it's not enough," Glick said. "We're willing to accommodate the industry to the same extent that we accommodated other industries."

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Glick said professional licenses require certain education and experience, while those from outside the profession may have different perspectives.

"It's about what level you're comfortable having non-professionals in charge," she said. "We are comfortable at 25 percent."

Some have suggested that former Assembly Speaker Sheldon Silver was responsible for killing the bill. Now that Silver is no longer in the Assembly, they suggest the bill may pass.

"It has nothing to do with Shelly," Glick said. "It has something to do with the fact that these other professional entities have received the authority to have 25 percent non-professional ownership."

The bill was referred to the Assembly's higher education committee last March 9, soon before it passed the Senate on June 16. It was in the Assembly again on Jan. 1, but died in committee.

"It hasn't gotten to a vote. To me, that's extremely disappointing," Falbo said. "We've gotten support from firms on this issue."

Under current laws, some accounting firms create separate entities in which non-CPAs can be part owners.

"They work around it," Eagar said. "It's like running three separate companies, when you could simply be running one."

Grassi created Grassi Healthcare Consulting and Grassi Technology Consulting, which have their own books, tax returns and are run as separate entities.

"It causes more expenses for us to compete and it makes it mechanically more difficult for us to operate," Eagar said. "You can coordinate, but it's more difficult than it has to be."

Gov. Andrew Cuomo last year and again this year included the legislation allowing 49 percent ownership in his budget. Falbo is hopeful that it will become law, even if through the budget.

"The governor has on many occasions included various inappropriate policy-based initiatives," Glick said. "We have generally rejected them. The budget should be a fiscal document, not a policy document where you're changing significant pieces of law."

Eagar argues as long as CPAs retain control, there shouldn't be an issue regarding the portion that non-CPAs own.

"CPAs would be responsible for how the firm operates, even for the non-CPA activities," he said. "That's why they want CPAs to own a majority of the company."

Some accountants, nevertheless, are happy with the status quo, even if it means no non-CPA ownership.

"I don't think it's in the best interest of the public," said Robert Goldfarb, a principal at Garden City-based Janover and former president of the National Conference of CPA Practitioners. "There's an element of trust in CPAs. We've developed a reputation for being trusted professionals."

Goldfarb believes "there's a lot of pressure being put on legislators to pass," but that this legislation could lead to conflicts of interest.

Glick, meanwhile, says she plans on opposing any effort to approve a 49 percent threshold, potentially setting the stage for another feud.

"We like to gain some experience with whether it created any problems," she said. "We're not comfortable having more than [25 percent] until we have more experience."

Non-CPAs can still work at firms without a stake. But Cohen said partner status can actually boost both status and sales.

"It may create jobs, support staff, people to help and do the work," Cohen said of legislation. "There are added benefits. You could grow your practice."

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