

Chapter 3. CPA Firm Permits

Section 3.1. General Requirements

- 3.1.1. The practice of public accounting as defined per Mississippi Code of 1972, Section 73-33-2, and the Definitions section of these *Rules and Regulations* must be performed through ~~an entity~~ a CPA firm meeting ownership and other requirements specified herein and duly registered with the Board with a firm permit to practice public accounting. This section also applies to offices located outside of Mississippi where such offices are holding-out or are engaged in the practice of public accounting as CPA firms for Mississippi clients. ~~in this state through any person(s) holding a reciprocal license.~~ This section is also applicable to a sole proprietor acting as a practice unit as defined by Mississippi Code of 1972, Section 73-33-2(b), but is not applicable to a sole proprietor who does not maintain a full-time office with professional accounting staff. Except, the sole proprietor must comply with 3.1.12. and the peer review requirements.
- 3.1.2. Authorized forms of practice.
- (a) A domestic CPA firm may be legally organized as any entity or any business form ~~a partnership, limited liability partnership, professional limited liability company, professional corporation, sole proprietor acting as a practice unit, or joint venture allowed by Mississippi law and must comply with the requirements thereof. Incorporation under the general business corporation laws is not permitted by CPA firms or offices thereof.~~
- (b) A foreign CPA firm may be legally organized under a law other than the law of this state. The foreign firm must comply with the requirements as stated herein.
- 3.1.3. CPA firm ownership.
- (a) Each owner of each practice unit (office) in Mississippi must hold a current license to practice public accountancy in Mississippi. A professional corporation of licensed certified public accountants of this state in good standing may be an owner of a CPA firm. A certified public accountant firm located inside of the State of Mississippi shall be required to show that:

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- (1) it is wholly owned by natural persons and not owned in whole or in part by business entities;
- (2) a simple majority of the ownership of the firm in terms of financial interests and/or voting rights hold Mississippi certified public accountant licenses; and
- (3) the certified public accountant members of the firm are registered and in good-standing with the Board.

In addition, each resident manager of each CPA firm office practice unit (~~office~~) in Mississippi must hold a current license to practice public accountancy in Mississippi.

- (b) A certified public accountant firm or office thereof having its principal place of business located outside of the State of Mississippi that offers to perform or practices public accounting for a client or a potential client who is a Mississippi resident, has a principal place of business or is domiciled in Mississippi shall be required to show that:

- (1) it is wholly owned by natural persons and not owned in whole or in part by business entities;
- (2) a simple majority of the ownership of the firm in terms of financial interests and/or voting rights hold certified public accountant licenses from a statutorily authorized licensing jurisdiction; and
- (3) the certified public accountant members of the firm offering to perform or performing work for a Mississippi client are registered and in good-standing with the Board.

In addition, the following conditions must be met:

- (1) at least one owner, member, shareholder, or general partner is a CPA licensed in Mississippi and licensee ~~or a professional corporation of certified public accountants licensed to practice in this state in good standing with the Board;~~
- (2) each owner, member, shareholder, or partner personally engaged within this state in the practice of public accountancy for a Mississippi client is a CPA licensed in Mississippi and licensee ~~or a~~

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~~partnership composed of professional corporations of certified public accountants of this state in good standing with the Board; and~~

- (3) each individual holding a license as a CPA from another state engaged in the practice of public accountancy for a Mississippi client is a CPA licensed in Mississippi and in good standing with the Board.~~each resident manager in charge of an office of the firm in this state is a CPA licensee of this state in good standing with the Board.~~

(c) Any certified public accountant firm may include non-licensee owners provided that:

- (1) the firm designates a licensee of this state, who is responsible for the proper registration of the firm and identifies that individual to the Board;
- (2) all non-licensee owners are natural persons and are active individual participants in the certified public accountant firm or affiliated entities;
- (3) all non-licensee owners are identified as owners in connection with the registration of the firm and do not hold, in the aggregate, more than forty-nine percent of the firm financial interest or voting rights;
- (4) all services as defined herein are under the charge of a Mississippi CPA licensee;
- (5) all services are performed within the requirements set out in Section 73-33-15 of the Mississippi Code of 1972 and the professional standards for such services;
- (6) no person not holding a valid CPA licensee shall use or assume the title certified public accountant or the abbreviation CPA or any other title, designation, words, letters, abbreviation, sign, card or device likely to be confused with or tending to indicate that such person is a certified public accountant;
- (7) non-licensees shall not have ultimate responsibility for the performance of audits, reviews or compilations of financial statements or other forms of attestation related to financial statements and may not use language in any statement related to the financial affairs of a person or entity which is conventionally used by licensees in reports on financial statements;

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(8) non-licensee owners are responsible for compliance with the Act and these Rules and Regulations; and

(9) the firm complies with other requirements as set by the Board.

3.1.4. Initial Registration (application). All CPA firms domiciled in Mississippi must register with the Board as soon as possible, but no later than within 30 days after opening a Mississippi office or beginning a new CPA firm, but in no case shall a CPA firm engage in the practice of public accounting without a firm permit. A CPA firm or office located outside of Mississippi must register the office(s) before holding-out, offering or performing public accounting.

3.1.5. Annual Registration. In accordance with Mississippi Code of 1972, Section 73-33-7, on or before January 1 of each year, each certified public accountant firm holding a permit to practice public accounting must register with the Board. If any firm fails to register on or before January 1, notice of such default shall be sent to the firm by certified mail to the firm's last known address as shown by the records of the Board. The permit to practice of any firm who fails to register within ten (10) days after notice is given shall be automatically canceled, and the Board shall enter the cancellation on its records.

3.1.6. Process.

(a) Initial applications and annual renewal registrations of firms must be made upon forms prescribed and include information required by the Board and be submitted as required. Application must be made upon the affidavit of a general or managing owner (individual) and in addition to other required information must include the name and address of the person upon whom service of process may be had for the firm. In accordance with Section 3.1.12. and Chapter 5, peer review compliance is required in order to register a CPA firm.

(b) Foreign CPA firms domiciled within Mississippi or domiciled outside of Mississippi must submit along with the initial application and annual renewal registrations all requested information including but not limited to its current corporate certificate of authority or certificate of registration with the Mississippi Secretary of State. Such documents on file with the Secretary of State must agree with the records of the Board. The filing of these registrations will consider the restrictions as set elsewhere in these Rules and Regulations including but not limited to CPA firm name restrictions.

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- 3.1.7. Firm Permit. Upon satisfaction of the application and registration requirements, the Board will issue to a CPA firm an annual firm permit to practice public accounting.
- 3.1.8. Failure to apply or register. The absence of filing of the required application, failure to register on or before January 1, or satisfaction of this rule shall be construed to mean that no ~~partnership, limited liability partnership, professional limited liability company, or~~ entity exists as an authorized CPA firm for the practice of public accounting. In such case the Board may take disciplinary action against the firm's members.
- 3.1.9. Disclaimer by non-qualified firms. An entity that is not qualified to register as a CPA firm but which engages in aspects of public accountancy as permitted by statute and employs or engages licensee(s) or registration holder in such work must include an asterisk by the name of the employer or principal in each advertisement or written statement by the licensee or registration holder and/or by his employer or principal in which reference is made to the licensee or registration holder or his association with the employer or principal as such, which asterisk shall refer to a notation included within conspicuous proximity and with reasonable prominence that states says *"This firm is not a CPA firm."* ~~*"Not qualified to register with the Mississippi State Board of Public Accountancy as a CPA firm to practice public accountancy in Mississippi."*~~
- 3.1.10. Notices. A CPA firm registered under this rule must give notice to the Board within 30 days after significant changes including but not limited to:
- (a) formation of new firm;
 - (b) changes in ownership including the admission, withdrawal, or death of an owner, partner, member, shareholder; ~~or~~
 - (c) dissolution of the firm;
 - (d) changes in legal form of organization;
 - (e) establishment, withdrawal, or changes of offices;
 - (f) change in physical location and/or address;
 - (g) change in the firm name;

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(h) occurrence of any event(s) which would cause the firm to become out of compliance with the Act or the Rules and Regulations.
~~of changes in other significant information such as changes in a firm name, addition/ changes of offices, and/or addresses.~~

3.1.11. Firm Names.

(a) A firm licensed by the Board may not conduct business, perform or offer to perform services or provide products under a name other than the name in which the firm is registered and issued a CPA firm permit. No licensee or firm permit holder shall engage in the practice of public accountancy using a firm name which includes any fictitious name, that includes descriptive words relating to the quality of services offered, indicates specialization or is misleading as to the legal form of the firm, or about the persons who are partners, officers, or shareholders of the firm, or about any other matter. A firm also shall not place any speciality or restricted words sufficiently close to the firm name to confuse it as part of the firm name.

(b) A foreign firm must comply with the firm names as described herein and be so registered with the Secretary of State to do business under the acceptable name. As described in Section 3.1.6. this documentation must be submitted as part of initial or annual registration with the Board.

~~(b) A firm name will be considered to be misleading if:~~

~~(1) the name contains a misrepresentation;~~

~~(2) the name indicates character or grade of service which is not based upon verifiable facts;~~

~~(3) the name is likely to mislead or deceive because it fails to make full disclosure of relevant facts; the following are examples, but are not inclusive:~~

~~a. the name indicates a geographic area of service which is not based on verifiable facts; or~~

~~b. the firm name includes a non-owner firm employee.~~

~~(4) the name is intended or likely to create false or unjustified expectations of favorable results;~~

~~(5) the name implies special expertise;~~

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- ~~(6) the name implies educational or professional attainment or licensing recognition of the firm and/or of its owners, partners, or shareholders which are not supported in fact.~~
- (c) No firm will be permitted to register with the Board as a certified public accounting firm unless the firm name contains the personal name/names, initials and names, or initials of one or more individuals who are present or previous CPA owners of the firm partnership.
- (d) The Board will not register two CPA firms under the same name unless there are different individuals involved with identical surnames.
- (e) The name of a non-licensee or nonowner employee may not be used as part of a CPA firm name.
- (f) The CPA firm may continue to use the name of a deceased CPA owner on its letterhead provided some indication is made which will show the individual is no longer living.
- ~~(g) If only one licensee is involved in a CPA firm practice, it cannot use the terms "and company," "and associates," abbreviations thereof, or any other term which is misleading to the general public as a part of the name. However, the term "and company" or "and associates" may be used as long as the name(s) of the employee(s) licensed by this Board are shown on the application for CPA firm registration.~~
- (g) ~~(h)~~ The name of any former partner, member, or shareholder may not be used in a registered firm name during the period of sanction when the former partner member, or shareholder has been prohibited from practicing public accountancy or prohibited from using the title "CPA".
- (h) ~~(i)~~ Partnership.
 - (1) If a partner dies or withdraws from a firm and there is no change in the firm name, the partnership will not be required to again register with the Board until the next annual registration.
 - (2) If, for any reason, there is a change in the name of a partnership, it must file a new application for registration.
 - (3) A partner surviving the death or withdrawal of all other partners may continue to practice under a partnership name for up to two years after becoming a sole practitioner

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- ~~(j) Limited Liability Partnership. The name of each limited liability partnership registered with this Board must include limited liability partnership or the abbreviation "L.L.P.," or "LLP."~~
- ~~(k) Professional Limited Liability Company. The name of each professional limited liability company registered with this Board must include one of the following designations:
 - ~~a. "Professional Limited Liability Company"~~
 - ~~b. "PLLC"~~
 - ~~c. "P.L.L.C"~~~~
- ~~(l) Professional Corporation. The name of each professional corporation registered with this Board must include one of the following designations:
 - ~~a. professional corporation;~~
 - ~~b. professional association; or~~
 - ~~c. the abbreviations "P.C.," "PC," "P.A." or "PA."~~~~
- ~~(m) Sole Proprietorship
 - ~~(1) No sole proprietorship will be permitted to register unless the firm name contains the personal name of the sole proprietor.~~
 - ~~(2) The Board will not register two sole proprietorships under the same name unless there are different individuals involved with identical surnames.~~
 - ~~(3) The name of an employee may not be used as part of a sole proprietorship's firm name.~~
 - ~~(4) If, for any reason, there is a change in the name of a sole proprietorship, it must file a new application for registration.~~~~

3.1.12. In addition to other requirements set herein, firms must comply with *Peer Review* as defined per Chapter 5. in order to register a CPA firm.

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3.1.13. A CPA firm domiciled and licensed from another state that does not hold a firm permit to practice public accountancy in the State of Mississippi may temporarily practice if the following conditions are met:

- (a) temporarily in this state or who temporarily perform work for a Mississippi client, and
- (b) on professional business incident to their regular practice in the state of their domicile, and
- (c) does not have an office in this state.

3.1.14. For purposes of regulation 3.1.13.:

- (a) *Temporarily* is defined as less than ten (10) days per year.
- (b) *Office in this state* includes any office of a multi-office firm consisting of a sole proprietorship, partnership, corporation or professional corporation.
- (c) *Incident* to regular practice means an engagement which is primarily conducted for a client which is located where the CPA is licensed. An engagement performed for a Mississippi domiciled client whether or not physically performed in the State of Mississippi and no matter what medium would not be incident to regular practice, but would represent the performance of public accounting for reciprocity purposes.

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Section 3.2. Specific Requirements

3.2.1. Partnerships.

~~(a) Types of Partnerships Entitled to Registration:~~

- ~~(1) A partnership comprised solely of CPA licensees or a professional corporation of certified public accountants licensed in this state.~~
- ~~(2) A partnership domiciled outside of Mississippi composed of individuals holding licenses as certified public accountants from other states authorizing them to engage in the practice of public accounting in that state or a partnership not comprised solely of certified public accountants may register as a partnership of certified public accountants provided that:
 - ~~a. at least one general partner is a CPA licensee or a professional corporation of certified public accountants licensed to practice in this state in good standing with the Board;~~
 - ~~b. each partner personally engaged within this state in the practice of public accountancy is a CPA licensee or a partnership composed of professional corporations of certified public accountants of this state in good standing with the Board; and~~
 - ~~c. each resident manager in charge of an office of the firm in this state is a CPA licensee of this state in good standing with the Board.~~~~

~~3.2.2. A Limited Liability Partnership, Professional Limited Liability Company, or Professional Corporation domiciled outside of Mississippi not comprised solely of CPA licensees of Mississippi may register provided that the CPAs providing professional services to Mississippi clients are licensed in this State.~~

~~3.2.3. Limited Liability Partnerships. Every limited liability partnership (LLP) engaged or to be engaged in the practice of public accountancy shall register with and hold a current firm permit to practice public accounting from the Board.~~

~~3.2.4. Professional Limited Liability Companies. Every professional limited liability company (PLLC) engaged or to be engaged in the practice of public accountancy shall register with and hold a current firm permit to practice public accounting from the Board.~~

~~3.2.5. Professional Corporations. Every professional corporation engaged in the practice of public accounting must register with and hold a current firm permit to practice public accounting from the Board.~~

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3.1.15.

3.2.6. Sole Proprietors Acting as a Practice Unit.

- (a) Every sole proprietorship acting as a practice unit as defined per Mississippi Code of 1972, Section 73-33-2, while engaged in the practice of public accountancy in this state must register with the Board.

- (b) Death of a Sole Proprietor. Upon written authorization from the executive director, a sole proprietorship may continue to operate for a period of up to 12 months following the death of the sole proprietor. The executive director, subject to ratification by the Board at the next Board meeting, may permit the continued operation of the sole proprietorship when the following has been provided:
 - (1) a copy of the sole proprietor's death certificate;

 - (2) a copy of the power of attorney from the sole proprietor's executor, administrator, or heir designating a CPA licensee or registration holder in good standing with the Board to manage the sole proprietorship on behalf of such party. When such party is not a licensee or registration holder, the power of attorney must authorize a licensee or registration holder to manage the sole proprietorship on behalf of such party; and

 - (3) written evidence that a disruption in the continuation of the sole proprietorship would jeopardize the survivability of the firm.

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Section 3.2. ~~3-3~~ Reinstatement of a CPA Firm Permit

3.2.1.

~~3-3-1.~~ A CPA firm seeking reinstatement of a firm permit to practice public accounting which has been revoked, suspended, canceled voluntarily or canceled for failure to register must submit to the Board an application for reinstatement of such firm permit and satisfy the requirements as described herein.

3.2.2.

~~3-3-2.~~ Such application must be filed on the form prescribed by the Board and must include a signed and acknowledged petition which sets forth in full the circumstances surrounding the revocation, suspension, or cancellation of the applicant's permit, the applicant's reasons for seeking reinstatement, and any other information the applicant wishes to bring to the attention of the Board.

3.2.3.

~~3-3-3.~~ A former CPA firm whose permit has been revoked or suspended may make application for reinstatement in accordance with the provision of the Trial Board order.

(a) In considering an application the Board shall consider all activities of the applicant since the permit was canceled, revoked or suspended, including but not limited to the prior offense, the applicant's activities during the time the permit was in good standing, rehabilitative efforts, and restitution to damaged parties in the matter.

(b) After consideration of the applicant's petition and after conducting such personal examination of the applicant or other persons as it deems necessary, the Board may in its discretion reinstate any revoked, suspended or surrendered firm permit. The Board shall notify such applicant of its decision in writing.

3.2.4.

~~3-3-4.~~ The Board may impose appropriate terms and conditions for reinstatement of a firm permit, impose continuing conditions on a firm permit to be reinstated, and/or otherwise modify the requirements of a prior order of suspension, revocation or probation.

3.2.5.

~~3-3-5.~~ No application for reinstatement will be considered while the applicant is under a sentence for any criminal offense, including any period during which the applicant is on court imposed probation or parole.

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3.2.6.

~~3.3.6.~~ A CPA firm who obtained the firm permit through reciprocity must provide the Board confirmation of good standing with the jurisdiction of original issue on forms as prescribed by this Board.

3.2.7.

~~3.3.7.~~ Reinstatement of a suspended firm permit related to a licensee's noncompliance with an order for support as defined in Mississippi Code of 1972, Section 93-11-153, shall be reinstated only under the conditions provided per Section 93-11-157 or 93-11-163, as the case may be.

Definitions

Generally accepted accounting principles - Accounting principles or standards generally accepted in the United States. For purpose of these *Rules and Regulations* generally accepted accounting principles are represented by the Statements of Financial Accounting Standards issued by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, and any predecessor or successor entities and similar pronouncements issued by other entities having generally recognized authority such as the Accounting Research Bulletins and Accounting Principles Board Opinions which are not superceded by action of the FASB, including subsequent amendments.

Good Standing - compliance by a CPA licensee or CPA firm permit holder with the act and *Rules and Regulations* of the Board of jurisdiction, including annual registration and mandatory continuing professional education requirements. In the case of Board imposed disciplinary sanctions, the licensee or permit holder must have complied with all the provisions of the Trial Board order to be considered in good standing.

He, his, him - masculine pronouns when used include both the feminine and the masculine.

Holding out as a CPA or CPA firm - any representation that a person holds a CPA certificate or license or that an entity holds a CPA firm permit to practice public accounting. Any such representation is presumed to invite the public, industry or government to rely upon the professional skills implied by the title, license or permit. A representation includes an verbal, written, or electronic communication.

Owner - as used in these *Rules and Regulations*, an individual who holds equity ownership interests in a firm as a partner, shareholder, member or other terms that represent ownership. Each owner of each practice unit in Mississippi must be a natural person and ~~hold a current license to practice public accountancy in Mississippi~~ an active individual participant in the practice unit. ~~A professional corporation of licensed certified public accountants of this state in good standing may be an owner of a CPA firm.~~