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BUSINESS AND PROFESSIONS CODE - BPC

DIVISION 3. PROFESSIONS AND VOCATIONS GENERALLY [5000 - 9998.11] (*Heading of Division 3 added by Stats. 1939, Ch. 30.)*

CHAPTER 1. Accountants [5000 - 5158] (*Chapter 1 repealed and added by Stats. 1945, Ch. 1353.)*

ARTICLE 4. Applications, Registrations, Permits Generally [5070 - 5079] (*Article 4 heading repealed and added by Stats. 1959, Ch. 310.)*

5070. (a) Permits to engage in the practice of public accountancy in this state shall be issued by the board only to holders of the certificate of certified public accountant issued under this chapter and to those partnerships, corporations, and other persons who, upon application approved by the board, are registered with the board under this chapter. Notwithstanding any other law, the board may register an entity organized and authorized to practice public accountancy under the laws of another state for the purpose of allowing that entity to satisfy the registration requirement set forth in Section 5096.12, if (1) the certified public accountants providing services in California qualify for the practice privilege, and (2) the entity satisfies all other requirements to register in this state, other than its form of legal organization.

(b) All applicants for registration shall furnish satisfactory evidence that the applicant is entitled to registration and shall pay the fee as provided in Article 8 (commencing with Section 5130). Every partnership, corporation, and other person to whom a permit is issued shall, in addition to any other fee that may be payable, pay the initial permit fee provided in Article 8 (commencing with Section 5130).

(c) Each applicant who has a valid email address shall report to the board that email address at the time of application or registration.

(d) Each partnership, corporation, and other person issued a permit by the board to practice as a certified public accountant or as a public accountant shall be furnished with a suitable certificate evidencing that registration.

(Amended by Stats. 2021, Ch. 300, Sec. 3. (AB 298) Effective January 1, 2022.)

5070.1. (a) The board may establish, by regulation, a system for the placement of a license into a retired status, upon application, for certified public accountants and public accountants who are not actively engaged in the practice of public accountancy or any activity that requires them to be licensed by the board.

(b) No licensee with a license in a retired status shall engage in any activity for which a permit is required.

(c) The board shall deny an applicant's application to place a license in a retired status if the permit is subject to an outstanding order of the board, is suspended, revoked, or is subject to disciplinary action under this chapter.

(1) For purposes of this subdivision, a permanent restricted practice order shall not be considered an outstanding order of the board provided the licensee has completed probation as part of any original discipline order.

(2) If a license is subject to a permanent restricted practice order at the time the board approves the license to be placed in a retired status, the permanent restricted practice order shall be reinstated if the license is restored from retired status to an active status and shall remain in effect until the board modifies or terminates the permanent restricted practice order.

(d) (1) The holder of a license that was canceled pursuant to Section 5070.7 may apply for the placement of that license in a retired status pursuant to subdivision (a).

(2) Upon approval of an application made pursuant to paragraph (1), the board shall reissue that license in a retired status.

(3) The holder of a canceled license that was placed in retired status between January 1, 1994, and January 1, 1999, inclusive, shall not be required to meet the qualifications established pursuant to subdivision (e), but shall be subject to all other requirements of this section.

(e) The board shall establish minimum qualifications to place a license in retired status.

(f) The board may exempt the holder of a license in a retired status from the renewal requirements described in Section 5070.5.

(g) The board shall establish minimum qualifications for the restoration of a license in a retired status to an active status. These minimum qualifications shall include, but are not limited to, continuing education and payment of a fee as provided in subdivision (h) of Section 5134.

(h) The board shall not restore to active or inactive status a license that was canceled by operation of law, pursuant to subdivision (a) of Section 5070.7, and then placed into retired status pursuant to subdivision (d). The individual shall instead apply for a new license, as described in subdivision (c) of Section 5070.7, in order to restore the individual's license.

(i) At the time of application, if the applicant has a valid email address, the applicant shall provide that email address to the board.

(Amended by Stats. 2024, Ch. 586, Sec. 9. (AB 3251) Effective January 1, 2025.)

5070.2. (a) (1) Beginning January 1, 2014, a holder of a permit may apply to have the holder's permit placed in a military inactive status if the holder of a permit is engaged in, and provides sufficient evidence of, active duty as a member of the California National Guard or the United States Armed Forces.

(2) The board shall deny an applicant's application for a military inactive status permit if the permit issued pursuant to Section 5070 is canceled or if it is suspended, revoked, or otherwise punitively restricted by the board or subject to disciplinary action under this chapter. At the time of application, if the applicant has a valid email address, the applicant shall provide that email address to the board.

(b) No holder of a permit in a military inactive status shall engage in any activity for which a permit is required.

(c) The holder of a permit in a military inactive status shall be exempt from all of the following:

(1) Payment of the biennial renewal fee described in Section 5134.

(2) The continuing education requirements of Section 5027.

(3) The peer review requirements of Section 5076.

(d) In order to convert a permit status from military inactive status prior to discharge from active duty as a member of the California National Guard or the United States Armed Forces, the holder of a permit in a military inactive status shall comply with all of the following requirements:

(1) Pay the current biennial renewal fee described in Section 5134.

(2) Meet continuing education requirements as prescribed by the board.

(3) Meet the peer review requirements as prescribed by the board.

(e) The holder of a permit in a military inactive status shall, within one year from discharge from active duty as a member of the California National Guard or the United States Armed Forces, comply with all of the following requirements:

(1) Provide evidence to the board of the discharge date.

(2) Pay the current biennial renewal fee described in Section 5134.

(3) Meet continuing education requirements as prescribed by the board.

(4) Meet the peer review requirements as prescribed by the board.

(f) The board may adopt regulations as necessary to administer this section.

(Amended by Stats. 2024, Ch. 80, Sec. 7. (SB 1525) Effective January 1, 2025.)

5070.5. (a) (1) A permit issued under this chapter to a certified public accountant or a public accountant expires at 12 midnight on the last day of the month of the legal birthday of the licensee during the second year of a two-year term if not renewed.

(2) To renew an unexpired permit, a permitholder shall, before the time at which the permit would otherwise expire, apply for renewal on a form prescribed by the board, pay the renewal fee prescribed by this chapter, and give evidence satisfactory to the board that the permitholder has complied with the continuing education provisions of this chapter.

(3) Each applicant for renewal who has a valid email address shall report that email address to the board on the renewal form described in paragraph (1).

(b) A permit to practice as an accountancy partnership or an accountancy corporation expires at 12 midnight on the last day of the month in which the permit was initially issued during the second year of a two-year term if not renewed. To renew an unexpired permit, the permitholder shall, before the time at which the permit would otherwise expire, apply for renewal on a form prescribed by the board, pay the renewal fee prescribed by this chapter, and provide evidence satisfactory to the board that the accountancy partnership or accountancy corporation is in compliance with this chapter.

(c) On or before July 1, 2020, each permitholder who has a valid email address shall provide that email address to the board.

(d) A permitholder shall notify the board within 30 days of any change to their email address on file with the board. The board may periodically, as it determines necessary, require permitholders to confirm that their email address on file with the board is current.

(Amended by Stats. 2021, Ch. 300, Sec. 4. (AB 298) Effective January 1, 2022.)

5070.6. Except as otherwise provided in this chapter, an expired permit may be renewed at any time within five years after its expiration upon the filing of an application for renewal on a form prescribed by the board, payment of all accrued and unpaid renewal fees and providing evidence satisfactory to the board of compliance as required by Section 5070.5. At the time of application, if the applicant has a valid email address, the applicant shall provide that address to the board. If the permit is renewed after its expiration, its holder, as a condition precedent to renewal, shall also pay the delinquency fee prescribed by this chapter. Renewal under this section shall be effective on the date on which the application is filed, on the date on which the accrued renewal fees are paid, or on the date on which the delinquency fee, if any, is paid, whichever last occurs. If so renewed, the permit shall continue in effect through the date provided in Section 5070.5 that next occurs after the effective date of the renewal, when it shall expire if it is not again renewed.

(Amended by Stats. 2019, Ch. 359, Sec. 9. (AB 1521) Effective January 1, 2020.)

5070.7. (a) A permit that is not renewed within five years following its expiration may not be renewed, restored, or reinstated thereafter, and the certificate of the holder of the permit shall be canceled immediately upon expiration of the five-year period, except as provided in subdivision (e).

(b) A partnership or corporation whose certificate has been canceled by operation of this section may obtain a new certificate and permit only if it again meets the requirements set forth in this chapter relating to registration and pays the registration fee and initial permit fee.

(c) A certified public accountant whose certificate is canceled by operation of this section may apply for and obtain a new certificate and permit if the applicant:

(1) Is not subject to denial of a certificate and permit under Section 480.

(2) Pays all of the fees that would be required of them if they were then applying for the certificate and permit for the first time.

(3) Takes and passes the examination that would be required of them if they were then applying for the certificate for the first time. The examination may be waived in any case in which the applicant establishes to the satisfaction of the board that, with due regard for the public interest, they are qualified to engage in practice as a certified public accountant.

(d) The board may, by appropriate regulation, provide for the waiver or refund of all or any part of the application fee in those cases in which a certificate is issued without an examination under this section.

(e) Revoked permits may not be renewed, but may be reinstated by the board, without regard to the length of time that has elapsed since the permit was revoked, and with conditions and restrictions as the board shall determine.

(Amended by Stats. 2023, Ch. 510, Sec. 75. (SB 887) Effective January 1, 2024.)

5070.8. A permit which has been suspended is subject to expiration, and shall be renewed as provided in this article, but such renewal does not entitle the holder of the permit, while it remains suspended, and until it is reinstated, to engage in the practice of accountancy, or in any other activity or conduct in violation of the order or judgment by which the permit was suspended.

A permit which has been revoked is subject to expiration, but it may not be renewed. If it is reinstated after its expiration, the holder of the permit, as a condition precedent to its reinstatement, shall pay a reinstatement fee which shall be in an amount equal to the renewal fee in effect on the last regular renewal date before the date on which it is reinstated, plus the delinquency fee, if any, accrued at the time of its revocation.

(Added by Stats. 1961, Ch. 1254.)

5072. (a) No persons shall engage in the practice of accountancy as a partnership unless the partnership is registered by the board.

(b) A partnership, other than a limited partnership, may be registered by the board to engage in the practice of public accountancy provided it meets the following requirements:

- (1) At least one general partner shall hold a valid permit to practice as a certified public accountant, public accountant, or accountancy corporation, or shall be an applicant for a certificate as a certified public accountant under Sections 5087 and 5088, or the partnership shall be registered pursuant to subdivision (c) of Section 5096.12.
- (2) Each partner engaged within this state in the practice of public accountancy as defined by Section 5051 shall hold a valid permit to practice in this state or shall have applied for a certificate as a certified public accountant under Sections 5087 and 5088, except for a partner with practice privileges pursuant to Section 5096.
- (3) Each partner not engaged in the practice of public accountancy within this state shall be a certified public accountant in good standing of some state, except as permitted by Section 5079.
- (4) Each resident manager in charge of an office of the firm in this state shall be a licensee in good standing of this state, or shall have applied for a certificate as a certified public accountant under Sections 5087 and 5088.

(Amended (as added by Stats. 2012, Ch. 661, Sec. 4.5) by Stats. 2018, Ch. 447, Sec. 1. (SB 795) Effective January 1, 2019.)

5073. (a) Application for registration of a partnership shall be made upon a form prescribed by the board. At the time of registration, if the partnership has a valid email address, the partnership shall provide that email address to the board. The board shall in each case determine whether the applicant is eligible for registration.

(b) A partnership that is so registered and that holds a valid permit issued under this article and that has at least one general partner who is licensed to practice using the designation "certified public accountant" or the abbreviation "C.P.A." and one additional licensed person may use the words "certified public accountants" or the abbreviation "C.P.A.s" in connection with its partnership name.

(c) A partnership that is so registered and that holds a valid permit issued under this article and that has at least one general partner who is licensed to practice using the designation "public accountant" or the abbreviation "P.A." and one additional licensed person may use the words "public accountants" or the abbreviation "P.A.s" in connection with its partnership name.

(d) Notification shall be given to the board within one month after the admission to, or withdrawal of, a partner from any partnership so registered.

(e) Any registration of a partnership under this section granted in reliance upon Sections 5087 and 5088 shall terminate forthwith if the board rejects the application under Sections 5087 and 5088 of the general partner who signed the application for registration as a partnership, or any partner personally engaged in the practice of public accountancy in this state, or any resident manager of a partnership in charge of an office in this state.

(Amended by Stats. 2019, Ch. 359, Sec. 10. (AB 1521) Effective January 1, 2020.)

5076. (a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

(b) For purposes of this article, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

(2) "Accounting and auditing practice" includes any services that were performed in the prior three years using professional standards defined by the board in regulations.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.

(d) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.

(e) A firm issued a peer reviewed report with a rating of "fail," as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall

not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.

(f) (1) A board-recognized peer review program provider shall file a copy with the board of all peer review reports issued to California-licensed firms with a rating of "fail." The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is filed with the board. These reports may be filed with the board electronically.

(2) Nothing in this subdivision shall require a board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(g) The board shall define a peer review report rating of "fail" in regulation.

(h) Any requirements imposed by a board-recognized peer review program on a firm in conjunction with the completion of a peer review shall be separate from, and in addition to, any action by the board pursuant to this section.

(i) Any peer review report with a rating of "fail" submitted to the board in conjunction with this section shall be collected for investigatory purposes.

(j) Nothing in this section affects the discovery or admissibility of evidence in a civil or criminal action.

(k) Nothing in this section requires any firm to become a member of any professional organization.

(l) A peer reviewer shall not disclose information concerning licensees or their clients obtained during a peer review, unless specifically authorized pursuant to this section, Section 5076.1, or regulations prescribed by the board.

(m) A board-recognized peer review program provider shall utilize a secure web-based application, such as Facilitated State Board Access, to provide the board with objective information and data relating to the progress, participation, and results of a peer review, including peer review reports, peer review status, and correspondence between the board-recognized peer review provider and the firm.

(1) Firms shall participate in the secure web-based application utilized by the board-recognized peer review provider.

(2) Firms shall authorize the board access to the secure web-based application and authorize the board-recognized peer review program provider to comply with this subdivision.

(Amended by Stats. 2024, Ch. 586, Sec. 10. (AB 3251) Effective January 1, 2025.)

5076.1. (a) The board shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

(b) The committee may request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the board in regulations. Failure of a board-recognized peer review program provider to respond to the committee shall result in referral by the committee of the provider to the board for further action. Any information obtained by the board, its representatives, or the peer review oversight committee in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

(1) In connection with disciplinary proceedings of the board.

(2) In connection with legal proceedings in which the board is a party.

(3) In response to an official inquiry by a federal or state governmental regulatory agency.

(4) In compliance with a subpoena or summons enforceable by court order.

(5) As otherwise specifically required by law.

(c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

(d) The board may adopt, as necessary, regulations further defining the minimum qualifications for appointment as a committee member and additional administrative elements designed to ensure the effectiveness of mandatory peer review.

(Amended by Stats. 2011, Ch. 448, Sec. 9. (SB 543) Effective January 1, 2012.)

5078. In each office of a certified public accountant or public accountant in this state which is not under the personal management of such an accountant, respectively, work shall be supervised by a certified public accountant or public accountant.

- 5079.** (a) Notwithstanding any other provision of this chapter, any firm lawfully engaged in the practice of public accountancy in this state may have owners who are not licensed as certified public accountants or public accountants if the following conditions are met:
- (1) Nonlicensee owners shall be natural persons or entities, such as partnerships, professional corporations, or others, provided that each ultimate beneficial owner of an equity interest in that entity shall be a natural person materially participating in the business conducted by the firm or an entity controlled by the firm.
 - (2) Nonlicensee owners shall materially participate in the business of the firm, or an entity controlled by the firm, and their ownership interest shall revert to the firm upon the cessation of any material participation.
 - (3) Licensees shall in the aggregate, directly or beneficially, comprise a majority of owners, except that firms with two owners may have one owner who is a nonlicensee.
 - (4) Licensees shall in the aggregate, directly or beneficially, hold more than half of the equity capital and possess majority voting rights.
 - (5) Nonlicensee owners shall not hold themselves out as certified public accountants or public accountants and each licensed firm shall disclose actual or potential involvement of nonlicensee owners in the services provided.
 - (6) There shall be a certified public accountant or public accountant who has ultimate responsibility for each financial statement attest and compilation service engagement.
 - (7) Except as permitted by the board in the exercise of its discretion, a person may not become a nonlicensee owner or remain a nonlicensee owner if the person has done either of the following:
 - (A) Been convicted of any crime, an element of which is dishonesty or fraud, under the laws of any state, of the United States, or of any other jurisdiction.
 - (B) Had a professional license or the right to practice revoked or suspended for reasons other than nonpayment of dues or fees, or has voluntarily surrendered a license or right to practice with disciplinary charges or a disciplinary investigation pending, and not reinstated by a licensing or regulatory agency of any state, or of the United States, including, but not limited to, the Securities and Exchange Commission or Public Company Accounting Oversight Board, or of any other jurisdiction.
- (b) (1) A nonlicensee owner of a licensed firm shall report to the board in writing of the occurrence of any of the events set forth in paragraph (7) of subdivision (a) within 30 days of the date the nonlicensee owner has knowledge of the event. A conviction includes the initial plea, verdict, or finding of guilt, pleas of no contest, or pronouncement of sentence by a trial court even though that conviction may not be final or sentence actually imposed until appeals are exhausted.
- (2) A California nonlicensee owner of a licensed firm shall report to the board in writing the occurrence of any of the following events occurring on or after January 1, 2006, within 30 days of the date the California nonlicensee owner has knowledge of the events:
- (A) Any notice of the opening or initiation of a formal investigation of the nonlicensee owner by the Securities and Exchange Commission or its designee, or any notice from the Securities and Exchange Commission to a nonlicensee owner requesting a Wells submission.
 - (B) Any notice of the opening or initiation of an investigation of the nonlicensee owner by the Public Company Accounting Oversight Board or its designee.
 - (C) Any notice of the opening or initiation of an investigation of the nonlicensee owner by another professional licensing agency.
- (3) The report required by paragraphs (1) and (2) shall be signed by the nonlicensee owner and set forth the facts that constitute the reportable event. If the reportable event involves the action of an administrative agency or court, the report shall identify the name of the agency or court, the title of the matter, and the date of occurrence of the event.
- (4) Notwithstanding any other provision of law, reports received by the board pursuant to paragraph (2) shall not be disclosed to the public pursuant to the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code) other than (A) in the course of any disciplinary proceeding by the board after the filing of a formal accusation,

(B) in the course of any legal action to which the board is a party, (C) in response to an official inquiry from a state or federal agency, (D) in response to a subpoena or summons enforceable by order of a court, or (E) when otherwise specifically required by law.

(5) Nothing in this subdivision shall impose a duty upon any licensee or nonlicensee owner to report to the board the occurrence of any events set forth in paragraph (7) of subdivision (a) or paragraph (2) of this subdivision either by or against any other nonlicensee owner.

(c) For purposes of this section, the following definitions apply:

(1) "Licensee" means a certified public accountant or public accountant in this state or a certified public accountant in good standing in another state.

(2) "Material participation" means an activity that is regular, continuous, and substantial.

(d) All firms with nonlicensee owners shall certify at the time of registration and renewal that the firm is in compliance with this section.

(e) The board shall adopt regulations to implement, interpret, or make specific this section.

(Amended by Stats. 2021, Ch. 615, Sec. 11. (AB 474) Effective January 1, 2022. Operative January 1, 2023, pursuant to Sec. 463 of Stats. 2021, Ch. 615.)