

2025 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1156

2025 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Room JW327C, State Capitol

HB1156
1/22/2025

:A BILL for an Act to create and enact a new section to chapter 43-02.2 of the North Dakota Century Code, relating to ownership of accounting firms by qualified plans; and to amend and reenact subsection 3 of section 10-31-04 and subsection 3 of section 43-02.2-06 of the North Dakota Century Code, relating to minority ownership of an accounting firm.

9:00 a.m. Chairman Warrey opened the meeting.

Members Present: Chairman Warrey, Vice Chairman Ostlie, Vice Chairman Johnson, Representatives Bahl, Brown, Finley-DeVile, Grindberg, Kasper, Koppelman, D. Ruby, Schatz, Schauer, Vollmer

Member Absent: Representative Christy.

Discussion Topics:

- ESOP owners
- Incentives
- Retain employees
- Partner owners
- ESOP does not pay taxes
- Allows minority ownership

9:01 a.m. Representative Austen H. Schauer, district 13, West Fargo, ND, introduced and submitted testimony #30771.

9:05 a.m. Toby Kommer, Chief Executive Officer, Hager Kommer, CPAs, testified in favor.

9:13 a.m. Mandy Harlow, Executive Director, ND Board of Accountancy, testified as neutral and submitted testimony #30629.

9:15 a.m. Representative Koppelman moved Do Pass.

9:16 a.m. Representative Grindberg seconded the motion.

Representatives	Vote
Representative Jonathan Warrey	Y
Representative Mitch Ostlie	Y
Representative Landon Bahl	Y
Representative Collette Brown	AB
Representative Josh Christy	AB
Representative Lisa Finley-DeVile	AB
Representative Karen Grindberg	Y

Representative Jorin Johnson	Y
Representative Jim Kasper	Y
Representative Ben Koppelman	Y
Representative Dan Ruby	Y
Representative Mike Schatz	Y
Representative Austin Schauer	Y
Representative Daniel R. Vollmer	Y

Motion passed 11-0-3.

9:16 a.m. Representative Grindberg will carry the bill.

9:16 a.m. Chairman Warrey closed the hearing.

Diane Lillis, Committee Clerk

REPORT OF STANDING COMMITTEE
HB 1156 ([25.0074.03000](#))

Industry, Business and Labor Committee (Rep. Warrey, Chairman) recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). HB 1156 was placed on the Eleventh order on the calendar.

HOUSE INDUSTRY BUSINESS AND LABOR
JANUARY 14, 2025

TESTIMONY OF MANDY HARLOW
NORTH DAKOTA BOARD OF ACCOUNTANCY
HOUSE BILL NO. 1156

Chairman Warrey and members of the Committee.

My name is Mandy Harlow, and I serve as the executive director for the North Dakota State Board of Accountancy. I appear on behalf of the Board to offer neutral testimony on House Bill 1156.

Currently, for an accounting firm to be issued a permit to practice, it must show a simple majority of the ownership of the firm in terms of financial interests and voting rights belongs to CPAs or licensed public accountants of a state or other recognized jurisdiction. Administrative Rules further state each owner must be an individual. *See North Dakota Administrative Code section 3-01-03-02.* House Bill 1156 seeks to clarify, through changes to the Professional Organizations Act and Chapter 43-02.2 of Century Code, that ownership of a firm may belong to an employee stock ownership plan, or ESOP.

The question of ESOPs has come before the Board in years past, but the Board did not initiate any legislative changes due to concerns relating to the Professional Organizations Act and Chapter 43-02.2 of the Century Code. It is the Board's understanding House Bill 1156, in this form, addresses those concerns.

As this bill was being drafted, Legislative Council reached out to the Board, to allow the Board to review the proposed bill. The Board reviewed the proposed bill at its April and July quarterly meetings. Upon review, the Board determined it would take a neutral position on House Bill 1156. The Board has no position on ESOP ownership of firms,

other than the current law does not allow for ESOP ownership. The Board also recognizes that the language of House Bill 1156, as currently written, would require changes to the Board's administrative rules to allow for such ownership.

For these reasons, the Board of Accountancy is neutral on this bill. Thank you for your time and consideration, and I would stand for any questions.

Good morning, Chairman Warrey and members of the Industry, Business and Labor Committee.

My name is Austen Schauer, District 13, West Fargo.

House Bill 1156 would allow CPA firms to be owned by ESOPs.

When the original North Dakota law was enacted, the purpose was to protect the public by requiring Public Accounting Firms be owned and controlled by individuals licensed as CPA's. This requirement was industry standard.

Qualified Retirement Plans such as ESOP's, (employee stock ownership), were not around, so there was no need for the law to address potential ESOP ownership.

Most states, however, have recognized state laws need to be amended to allow ESOP ownership **if** there was the ability to "**look through**" the ESOP, and show the licensed CPA's still control and are the beneficiaries of the ESOP.

Some states like Minnesota have taken the stance that their laws do not need to change because they believe the essence of the law is still being followed.

Other states, however, such as Nebraska have made slight adjustments (like **HB 1156**), to make it clear to all.

Why give ESOP ownership to CPA firms? Incentives. Financial incentives for employees. Incentives to grow a CPA firm and incentives to retain employees.

ESOP's have worked well for many successful businesses in North Dakota such as Border State Electric and Scheels.

The specific changes in **HB 1156** are found in **Section 2, subsection 3 line 24** which includes "**an employee stock ownership plan.**"

In **Section 3** on page two under **Permit to practice - Firm wholly owned by qualified plan, lines 6-19** outline the criteria for CPA or Licensed Public Accounting firms to be ESOP owned.

This bill is supported by the **ND State Board of Accountancy** and the **ND Society of CPA**. It was reviewed and approved by the Attorney General's office.

2025 SENATE WORKFORCE DEVELOPMENT

HB 1156

2025 SENATE STANDING COMMITTEE MINUTES

Workforce Development Committee Fort Lincoln Room, State Capitol

HB 1156
3/7/2025

Relating to minority ownership of an accounting firm.

9:01 a.m. Chairman Wobbema called the meeting to order.

Members Present: Chairman Wobbema, Vice-Chairman Axtman, Senator Boschee, Senator Larson, Senator Powers.

Discussion Topics:

- Employee stock ownership plan
- Partnerships Ownership Changes
- Century Code Compliance

9:01 a.m. Representative Austin Schauer introduced the bill and submitted testimony in favor #39525.

9:05 a.m. Toby Kommer, Owner and CEO of Haga Kommer, testified in favor.

9:09 a.m. Mandy Harlow, Executive Director ND Board of Accountancy, testified in neutral and submitted testimony #38877.

9:12 a.m. Senator Axtman moved Do Pass.

9:12 a.m. Senator Boschee seconded the motion.

Senators	Vote
Senator Mike Wobbema	Y
Senator Michelle Axtman	Y
Senator Josh Boschee	Y
Senator Diane Larson	Y
Senator Michelle Powers	Y

Motion passed 5-0-0.

Senator Powers will carry the bill.

9:14 a.m. Chairman Wobbema closed the hearing.

Andrew Ficek, Committee Clerk

REPORT OF STANDING COMMITTEE
HB 1156 ([25.0074.03000](#))

Workforce Development Committee (Sen. Wobbema, Chairman) recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). HB 1156 was placed on the Fourteenth order on the calendar. This bill affects workforce development.

SENATE WORKFORCE DEVELOPMENT

MARCH 7, 2025

TESTIMONY OF MANDY HARLOW
NORTH DAKOTA BOARD OF ACCOUNTANCY
HOUSE BILL NO. 1156

Chairman Wobbema and members of the Committee.

My name is Mandy Harlow, and I serve as the executive director for the North Dakota State Board of Accountancy. I appear on behalf of the Board to offer neutral testimony on House Bill 1156.

Currently, for an accounting firm to be issued a permit to practice, it must show a simple majority of the ownership of the firm in terms of financial interests and voting rights belongs to CPAs or licensed public accountants of a state or other recognized jurisdiction. Administrative Rules further state each owner must be an individual. *See North Dakota Administrative Code section 3-01-03-02.* House Bill 1156 seeks to clarify, through changes to the Professional Organizations Act and Chapter 43-02.2 of Century Code, that ownership of a firm may belong to an employee stock ownership plan, or ESOP.

The question of ESOPs has come before the Board in years past, but the Board did not initiate any legislative changes due to concerns relating to the Professional Organizations Act and Chapter 43-02.2 of the Century Code. It is the Board's understanding House Bill 1156, in this form, addresses those concerns.

As this bill was being drafted, Legislative Council reached out to the Board, to allow the Board to review the proposed bill. The Board reviewed the proposed bill at its April and July quarterly meetings. Upon review, the Board determined it would take a neutral position on House Bill 1156. The Board has no position on ESOP ownership of firms,

other than the current law does not allow for ESOP ownership. The Board also recognizes that the language of House Bill 1156, as currently written, would require changes to the Board's administrative rules to allow for such ownership.

For these reasons, the Board of Accountancy is neutral on this bill. Thank you for your time and consideration, and I would stand for any questions.

Good morning, Chairman Wobbema and members of the Senate Workforce Development Committee.

My name is Austen Schauer, District 13, West Fargo.

House Bill 1156 would allow **CPA firms** to be owned by **ESOPs**.

When the original North Dakota law was enacted, the purpose was to protect the public by requiring Public Accounting Firms be owned and controlled by individuals licensed as CPA's. This requirement was industry standard.

Qualified Retirement Plans such as ESOP's, (employee stock ownership), were not around, so there was no need for the law to address potential ESOP ownership for CPA firms.

Most states, however, have recognized laws need to be amended to allow ESOP ownership **if** there was the ability to "**look through**" the ESOP, and show the licensed CPA's still control and are the beneficiaries of the ESOP.

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Why give ESOP ownership to CPA firms?

Incentives. Financial incentives for employees. Incentives to grow a CPA firm and incentives to retain employees.

ESOP's have worked well for many successful businesses in North Dakota such as Border States Electric and Scheels.

The specific changes in **HB 1156** are found in **Section 2, subsection 3 line 24 and Line 1, page 2**, which includes "**an employee stock ownership plan.**"

In **Section 3** on page two under **Permit to practice - Firm wholly owned by qualified plan, lines 6-19** outline the criteria for CPA or Licensed Public Accounting firms to be ESOP owned.

This bill is supported by the **North Dakota CPA Society** and was reviewed and approved by the Attorney General's office.

I have CPA subject matter experts here to answer industry questions.

Chairman Wobbema and committee members, I ask for your support for **House Bill 1156**.

Thank you!