17 CAR § 236-601. Definitions.

For purposes of this subpart:

(1)(A) "Actively participate" means the providing of personal services in the business entity licensed in Arkansas to practice public accounting, in the nature of management, performance of services for clients, or similar activities.

(B) Individuals and entities whose primary source of income from the business entity is provided as a result of passive investment will not be considered as actively participating in the business entity;

(2) "Business entity" or "CPA firm" means a proprietorship, partnership, corporation, limited liability company, or any other permissible form of practice which is licensed in Arkansas to practice public accounting;

(3)(A) "Equity capital" means:

(i) Capital stock, capital accounts, capital contributions, or undistributed earnings of a business entity licensed in Arkansas to practice public accounting; and

(ii) Loans and advances to a business entity licensed in Arkansas to practice public accounting made or held by its owners.

(B) "Equity capital" does not include an interest in bonuses, profit sharing plans, defined benefit plans, or loans to a business entity licensed in Arkansas to practice public accounting from banks, financial institutions, or other third parties that do not actively participate in such business entity;

(4)(A) "Good standing" as used in Arkansas Code § 17-12-401, § 17-12-402, and § 17-12-603(d) and 17 CAR § 236-604(a) means a CPA who holds an active license for the current year issued by the applicable board.

(B) "Good standing" as used in Arkansas Code § 17-12-504(a) and (b) means a CPA or CPA firm whose license, registration, or inactive license has not lapsed pursuant to Arkansas Code § 17-12-504(f)(2).

(5) "Owner" means a person who actively participates in a business entity licensed in Arkansas to practice public accounting, and who:

(A) Has an interest in profits and losses of such business entity;

(B) Owns all, or any portion, of the equity capital of such business entity; or

(C) Has a vote with respect to matters of such business entity; and

(6) "Profits and losses" means the net taxable income or loss, determined prior to payment of any form of compensation to owners, of a business entity licensed in Arkansas to practice public accounting.