

BILL ANALYSIS

Senate Research Center

S.B. 275
By: Sibley
Economic Development
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As Filed

DIGEST

Currently, under Texas law, a client of a Certified Public Accountant (CPA) is entitled to seek recovery from the accountant for economic loss due to reliance on the CPA's services and reports. Additionally, third parties who are not clients of the CPA can seek recovery if the accountant knew or should have known the third party might rely on the CPA's services. The consequence of this additional liability is that a third party can seek damages against a CPA for services rendered even though no contractual relationship exists between the third party and the CPA. This bill would limit the liability of CPAs to clients of the CPA and to a third party the CPA was aware of at the time the service was performed, if such awareness was communicated to the third party.

PURPOSE

As proposed, S.B. 275 limits the liability of accountants for an act or omission in connection with the provision of public accountancy to a third party who is not a client of the accountant.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Title 4, Civil Practice and Remedies Code, by adding Chapter 91, as follows:

CHAPTER 91. LIABILITY OF PUBLIC ACCOUNTANTS

Sec. 91.001. DEFINITIONS. Defines "accountant," "claimant," and "client."

Sec. 91.002. LIABILITY LIMITED. Provides that an accountant is not liable for an act or omission in connection with the provision of public accountancy services to the claimant except as provided by Section 91.003.

Sec. 91.003. EXCEPTIONS. Provides that Section 91.002 does not apply if the claimant is the client, the accountant meets certain criteria, or the act or omission of the accountant involves fraud.

Sec. 91.004. WAIVER. Authorizes an accountant to waive the provisions of this chapter in writing.

SECTION 2. Effective date: September 1, 1997.
Makes application of this Act prospective.

SECTION 3. Emergency clause.