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Nov. 16, 2015



Nearly half of multi-partner firms now have non-equity partners, almost double the number of 10 years ago. Yet, despite this change, every year I receive questions from firms wanting verification that this practice is blessed by the AICPA and its Code of Conduct.

Prior to 2015, as corroborated by the AICPA staff, the Code of Conduct was not clear on this issue, even though firms by the thousands had adopted the non-equity position.

But, we can all breathe a sigh of relief. The entire Code Of Conduct was overhauled

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Obviously, non-equity partners can hold themselves out to the public as a partner. I'm also sure that, in the event of litigation, the plaintiffs will look to the non-equity partners as defendants.”

WHY CPA FIRMS USE THE NON-EQUITY PARTNER TITLE

- A way to keep the bar high for equity partner.
- A partner-in-training program.
- A way to recognize the stature and contributions of highly valuable manager who meet most but not all partner criteria.
- A staff retention tactic.
- For lateral partner hires, to provide both sides with an opportunity to test each other out.
- A title for merged-in retirement-minded partners and retired partners working part-time.

NON-EQUITY PARTNERSHIP FEATURES

- Attend partner meetings.
- Compensation determined the same way it was when the person was a manager — management's discretion.
- Access to the firm's financial statements and performance metrics with one exception: compensation of the equity partners.
- Equity partners should never tell clients and staff that someone is a non-equity vs. an equity partner.
- A small but growing trend is to award partner buyout payments to non-equity partners, albeit on a much lower scale than for equity partners.

Developing your firm's future leaders by providing a path to partnership is key of

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mid-sized CPA firm performance statistics in the country, The Rosenberg Survey. He has consulted with hundreds of firms throughout his 20+ year consulting career. He shares his expertise regularly on The Marc Rosenberg Blog.

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