
Judiciary Committee

HB 1145

Title: An act relating to the limitations period for an account receivable.

Brief Description: Modifying the definition of an "account receivable" for purposes of commencing an action.

Sponsors: Representatives Lantz, Warnick, Williams, Rodne, O'Brien, Campbell, Goodman and Moeller.

Brief Summary of Bill

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| <ul style="list-style-type: none">• Defines "account receivable" for the purposes of applying the six year statute of limitations for commencing an action. |
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Hearing Date: 1/23/07

Staff: Trudes Tango (786-7384).

Background:

A plaintiff must commence an action within the statute of limitations for that particular type of action or else the action is barred. The statute of limitations is three years for an action based on a contract which is not in writing, except if the contract is an account receivable. The statute of limitations for actions based on an account receivable incurred in the ordinary course of business is six years.

Recently, the Washington Court of Appeals (Div. III) defined "account receivable" as an "open account," meaning an "account that is left open for ongoing debit and credit entries by two parties and that has a fluctuating balance until either party finds it convenient to close." *Tingey v. Haisch*, 129 Wn. App. 109 (2005).

In *Tingey*, an attorney sued his former client for legal fees. The parties did not have a written fee agreement. At issue was whether the attorney's claim for fees was an account receivable, for which the six year statute of limitation would apply, or an oral contract, for which the three year statute of limitations would apply. Noting that the term "account receivable" was not defined in

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the statute and is ambiguous, the court examined legislative intent. The court referenced an exchange on the Senate floor where a senator indicated that an account receivable was an open account. The court held that "account receivable" means an open account. The court found that the attorney's fee agreement was not an account receivable because the client retained the attorney for a single transaction and the transaction did not involve a fluctuating balance of debit and credit entries between the parties involving multiple transactions. Thus, the three year statute of limitations applied.

The state Supreme Court has accepted review of *Tingey*. Oral arguments were heard in September 2006, but the Court has not yet issued an opinion.

Summary of Bill:

The term "account receivable" for the purposes of the six year statute of limitations is defined as any obligation for payment incurred in the ordinary course of the claimant's business or profession, whether arising from one or more transactions and whether or not earned by performance.

The amended definition applies to all causes of action on accounts receivable, whether commenced before or after the effective date of the act.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.