

# SENATE BILL REPORT

## SB 5519

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As Reported by Senate Committee On:  
Business, Financial Services & Trade, January 13, 2022

**Title:** An act relating to replacing an inactive certificate status with an inactive license designation.

**Brief Description:** Replacing an inactive certificate status with an inactive license designation.

**Sponsors:** Senators Dozier, Mullet, Brown, Gildon, Rivers, Wilson, J. and Wilson, L..

**Brief History:**

**Committee Activity:** Business, Financial Services & Trade: 1/11/22, 1/13/22 [DP].

**Brief Summary of Bill**

- Creates an inactive license designation that reduces the number of continuing professional education credits needed for certified public accountants (CPAs) that want to maintain their license while not actively practicing as a CPA.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

**Majority Report:** Do pass.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Dozier, Ranking Member; Brown, Frockt, Lovick and Wilson, L.

**Staff:** Clint McCarthy (786-7319)

**Background:** The Public Accountancy Act (Act) governs the practice of accounting in Washington. Under the Act, both accountants and accounting firms must be licensed to hold themselves out as certified public accountants (CPAs). The Board of Accountancy (Board) issues licenses, adopts rules, conducts investigations, administers an examination, and otherwise implements the Act.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

CPAs and CPA firms perform various services that, depending on the service, must meet certain professional standards. The Board conducts a quality assurance review (QAR) program to review the work of licensees and out-of-state CPAs with practice privileges in Washington. Out-of-state CPAs and CPA firms licensed in their home state may perform attest and compilation services for people and businesses in Washington, subject to certain requirements, such as consenting to jurisdiction in Washington.

Licensees. The Board issues three year licenses to individuals contingent on the individual meeting certain standards adopted by the Board concerning education, experience in the field of accounting, and whether certain competencies have been met through their experience as determined by a verifying CPA. In order to maintain a license at renewal, a CPA must meet an 120 hour continuing professional education (CPE) requirement.

Certificate Holders. A certificate holder holds a certificate as a CPA who has not become a licensee, has maintained CPE requirements, and who does not practice public accounting. While statute permits the Board to grant certificates, the Board has not issued a certificate since 2003.

Substantially Equivalent. "Substantially Equivalent" is a term used throughout the Act, and is used in reference to determining whether an individual certified as a public accountant by another jurisdiction has comparable training and experience relative to the requirements maintained by the Board in the state of Washington.

**Summary of Bill:** Sunsets the Terms Certificate and Certificate Holder by June 30, 2024. A process is created to sunset the term certificate by June 30, 2024. Until June 30, 2024, a certificate is defined as an alternative license type that indicates the certificate holder has passed the CPA examination, but has not had their experience verified by a verifying CPA. Beginning July 1, 2024, a Board issued certificate will no longer be recognized as a form of license. Individuals with certificates that are current and still valid on June 30, 2024, will be automatically converted to a licensee in an inactive status. If the individual wants to activate their license, they must apply to the Board and meet various requirements of the Board.

Creates an Inactive License Designation for Licensed Certified Public Accountants. Licensees that have their license in good standing, may request to have their license placed on inactive status. Once in inactive status, the licensee is prohibited from practicing as a CPA. They must continue to pay the licensing fee and comply with CPE requirements to maintain their inactive status. An inactive licensee must complete a Board approved ethics course for CPE during a three- year period to maintain an inactive license.

Defines the Terms Substantial Equivalency and Substantially Equivalent. The terms "substantial equivalency" and "substantially equivalent" are defined to mean the education, examination, and experience requirements contained in statutes and administrative rules in

another jurisdiction are comparable to or exceed the requirements of the Board.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Staff Summary of Public Testimony:** PRO: This bill phases out certificate holders, a process that should have started a long time ago. This bill cleans up the statutes. Certificate holders are held harmless. If they want to become CPAs, they have to document their experience. The new statute provides options for active CPAs. Lapsing a license has bad connotations. This bill aligns Washington with 31 other states and allows for better mobility among CPAs. This is a good change and removes old and confusing language. It simplifies regulation and improves professional mobility. The inactive class is great for people who are not ready to lose their status.

**Persons Testifying:** PRO: Senator Perry Dozier, Prime Sponsor; Thomas Neill, Washington Society of CPAs; Dave Trujillo, WA State Board of Accountancy.

**Persons Signed In To Testify But Not Testifying:** No one.