
SUBSTITUTE SENATE BILL 6406

State of Washington

64th Legislature

2016 Regular Session

By Senate Commerce & Labor (originally sponsored by Senators Warnick and Conway)

READ FIRST TIME 02/04/16.

1 AN ACT Relating to certified public accountant firm mobility; and
2 amending RCW 18.04.025, 18.04.055, 18.04.105, 18.04.195, 18.04.345,
3 18.04.205, and 18.04.350.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 18.04.025 and 2008 c 16 s 2 are each amended to read
6 as follows:

7 Unless the context clearly requires otherwise, the definitions in
8 this section apply throughout this chapter.

9 (1) "Attest" means providing the following ~~((financial~~
10 ~~statement))~~ services:

11 (a) Any audit or other engagement to be performed in accordance
12 with the statements on auditing standards;

13 (b) Any review of a financial statement to be provided in
14 accordance with the statements on standards for accounting and review
15 services;

16 (c) Any ~~((examination of prospective financial information))~~
17 engagement to be performed in accordance with the statements on
18 standards for attestation engagements; and

19 (d) Any engagement to be performed in accordance with the public
20 company accounting oversight board auditing standards.

(2) "Board" means the board of accountancy created by RCW 18.04.035.

(3) "Certificate" means a certificate as a certified public accountant issued prior to July 1, 2001, as authorized under the provisions of this chapter.

(4) "Certificate holder" means the holder of a certificate as a certified public accountant who has not become a licensee, has maintained CPE requirements, and who does not practice public accounting.

(5) "Certified public accountant" or "CPA" means a person holding a certified public accountant license or certificate.

(6) "Compilation" means providing a service to be performed in accordance with statements on standards for accounting and review services that is presenting in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the statements.

(7) "CPE" means continuing professional education.

(8) "Firm" means a sole proprietorship, a corporation, or a partnership. "Firm" also means a limited liability company formed under chapter 25.15 RCW.

(9) "Holding out" means any representation to the public by the use of restricted titles as set forth in RCW 18.04.345 by a person or firm that the person or firm holds a license under this chapter and that the person or firm offers to perform any professional services to the public as a licensee. "Holding out" shall not affect or limit a person or firm not required to hold a license under this chapter from engaging in practices identified in RCW 18.04.350.

~~(10) ("Home office" is the location specified by the client as the address to which a service is directed.~~

~~(11))~~ "Inactive" means the certificate is in an inactive status because a person who held a valid certificate before July 1, 2001, has not met the current requirements of licensure and has been granted inactive certificate holder status through an approval process established by the board.

~~((12))~~ (11) "Individual" means a living, human being.

~~((13))~~ (12) "License" means a license to practice public accountancy issued to an individual under this chapter, or a license issued to a firm under this chapter.

~~((14))~~ (13) "Licensee" means the holder of a license to practice public accountancy issued under this chapter.

1 ~~((+15+))~~ (14) "Manager" means a manager of a limited liability
2 company licensed as a firm under this chapter.

3 ~~((+16+))~~ (15) "NASBA" means the national association of state
4 boards of accountancy.

5 ~~((+17+))~~ (16) "Peer review" means a study, appraisal, or review
6 of one or more aspects of the attest or compilation work of a
7 licensee or licensed firm in the practice of public accountancy, by a
8 person or persons who hold licenses and who are not affiliated with
9 the person or firm being reviewed, including a peer review, or any
10 internal review or inspection intended to comply with quality control
11 policies and procedures, but not including the "quality assurance
12 review" under subsection ~~((+21+))~~ (20) of this section.

13 ~~((+18+))~~ (17) "Person" means any individual, nongovernmental
14 organization, or business entity regardless of legal form, including
15 a sole proprietorship, firm, partnership, corporation, limited
16 liability company, association, or not-for-profit organization, and
17 including the sole proprietor, partners, members, and, as applied to
18 corporations, the officers.

19 ~~((+19+))~~ (18) "Practice of public accounting" means performing or
20 offering to perform by a person or firm holding itself out to the
21 public as a licensee, for a client or potential client, one or more
22 kinds of services involving the use of accounting or auditing skills,
23 including the issuance of "~~((audit))~~ reports," (~~("review reports," or~~
24 ~~"compilation reports" on financial statements,~~)) or one or more kinds
25 of management advisory, or consulting services, or the preparation of
26 tax returns, or the furnishing of advice on tax matters. "Practice of
27 public accounting" shall not include practices that are permitted
28 under the provisions of RCW 18.04.350(10) by persons or firms not
29 required to be licensed under this chapter.

30 ~~((+20+))~~ (19) "Principal place of business" means the office
31 location designated by the licensee for purposes of substantial
32 equivalency and reciprocity.

33 ~~((+21+))~~ (20) "Quality assurance review" means a process
34 established by and conducted at the direction of the board of study,
35 appraisal, or review of one or more aspects of the attest or
36 compilation work of a licensee or licensed firm in the practice of
37 public accountancy, by a person or persons who hold licenses and who
38 are not affiliated with the person or firm being reviewed.

39 ~~((+22+))~~ "~~Reports on financial statements~~" means ~~any reports or~~
40 ~~opinions prepared by licensees or persons holding practice privileges~~

~~under substantial equivalency, based on services performed in accordance with generally accepted auditing standards, standards for attestation engagements, or standards for accounting and review services as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private, or governmental, conforms with generally accepted accounting principles or another comprehensive basis of accounting. "Reports on financial statements" does not include services referenced in RCW 18.04.350(10) provided by persons not holding a license under this chapter.~~

~~(23))~~ (21) "Report," when used with reference to any attest or compilation service, means an opinion, report, or other form of language that states or implies assurance as to the reliability of the attested information or compiled financial statements and that also includes or is accompanied by any statement or implication that the person or firm issuing it has special knowledge or competence in the practice of public accounting. Such a statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the person or firm is involved in the practice of public accounting, or from the language of the report itself. "Report" includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply any positive assurance as to the reliability of the attested information or compiled financial statements referred to and/or special competence on the part of the person or firm issuing such language; and it includes any other form of language that is conventionally understood to imply such assurance and/or such special knowledge or competence. "Report" does not include services referenced in RCW 18.04.350(10) provided by persons not holding a license under this chapter as provided in RCW 18.04.350(13).

(22) "Review committee" means any person carrying out, administering or overseeing a peer review authorized by the reviewee.

~~((24))~~ (23) "Rule" means any rule adopted by the board under authority of this chapter.

~~((25))~~ (24) "Sole proprietorship" means a legal form of organization owned by one person meeting the requirements of RCW 18.04.195.

~~((26))~~ (25) "State" includes the states of the United States, the District of Columbia, Puerto Rico, Guam, the United States Virgin

1 Islands, and the Commonwealth of the Northern Mariana Islands at such
2 time as the board determines that the Commonwealth of the Northern
3 Mariana Islands is issuing licenses under the substantially
4 equivalent standards in RCW 18.04.350(2)(a).

5 **Sec. 2.** RCW 18.04.055 and 2001 c 294 s 5 are each amended to
6 read as follows:

7 The board may adopt and amend rules under chapter 34.05 RCW for
8 the orderly conduct of its affairs. The board shall prescribe rules
9 consistent with this chapter as necessary to implement this chapter.
10 Included may be:

11 (1) Rules of procedure to govern the conduct of matters before
12 the board;

13 (2) Rules of professional conduct for all licensees, certificate
14 holders, and nonlicensee owners of licensed firms, in order to
15 establish and maintain high standards of competence and ethics
16 including rules dealing with independence, integrity, objectivity,
17 and freedom from conflicts of interest;

18 (3) Rules specifying actions and circumstances deemed to
19 constitute holding oneself out as a licensee in connection with the
20 practice of public accountancy;

21 (4) Rules specifying the manner and circumstances of the use of
22 the titles "certified public accountant" and "CPA," by holders of
23 certificates who do not also hold licenses under this chapter;

24 (5) Rules specifying the educational requirements to take the
25 certified public accountant examination;

26 (6) Rules designed to ensure that licensees' "reports (~~on~~
27 ~~financial statements~~))" meet the definitional requirements for that
28 term as specified in RCW 18.04.025;

29 (7) Requirements for CPE to maintain or improve the professional
30 competence of licensees as a condition to maintaining their license
31 and certificate holders as a condition to maintaining their
32 certificate under RCW 18.04.215;

33 (8) Rules governing firms issuing or offering to issue reports
34 (~~on financial statements or~~) using the title "certified public
35 accountant" or "CPA" including, but not limited to, rules concerning
36 their style, name, title, and affiliation with any other
37 organization, and establishing reasonable practice and ethical
38 standards to protect the public interest;

1 (9) The board may by rule implement a quality assurance review
2 program as a means to monitor licensees' quality of practice and
3 compliance with professional standards. The board may exempt from
4 such program, licensees who undergo periodic peer reviews in programs
5 of the American Institute of Certified Public Accountants, NASBA, or
6 other programs recognized and approved by the board;

7 (10) The board may by rule require licensed firms to obtain
8 professional liability insurance if in the board's discretion such
9 insurance provides additional and necessary protection for the
10 public;

11 (11) Rules specifying the experience requirements in order to
12 qualify for a license;

13 (12) Rules specifying the requirements for certificate holders to
14 qualify for a license under this chapter which must include
15 provisions for meeting CPE and experience requirements prior to
16 application for licensure;

17 (13) Rules specifying the registration requirements, including
18 ethics examination and fee requirements, for resident nonlicensee
19 partners, shareholders, and managers of licensed firms;

20 (14) Rules specifying the ethics CPE requirements for certificate
21 holders and owners of licensed firms, including the process for
22 reporting compliance with those requirements;

23 (15) Rules specifying the experience and CPE requirements for
24 licensees offering or issuing reports (~~(on financial statements)~~);
25 and

26 (16) Any other rule which the board finds necessary or
27 appropriate to implement this chapter.

28 **Sec. 3.** RCW 18.04.105 and 2004 c 159 s 2 are each amended to
29 read as follows:

30 (1) A license to practice public accounting shall be granted by
31 the board to any person:

32 (a) Who is of good character. Good character, for purposes of
33 this section, means lack of a history of dishonest or felonious acts.
34 The board may refuse to grant a license on the ground of failure to
35 satisfy this requirement only if there is a substantial connection
36 between the lack of good character of the applicant and the
37 professional and ethical responsibilities of a licensee and if the
38 finding by the board of lack of good character is supported by a
39 preponderance of evidence. When an applicant is found to be

1 unqualified for a license because of a lack of good character, the
2 board shall furnish the applicant a statement containing the findings
3 of the board and a notice of the applicant's right of appeal;

4 (b) Who has met the educational standards established by rule as
5 the board determines to be appropriate;

6 (c) Who has passed an examination;

7 (d) Who has had one year of experience which is gained:

8 (i) Through the use of accounting, issuing reports (~~on financial~~
9 ~~statements~~)), management advisory, financial advisory, tax, tax
10 advisory, or consulting skills;

11 (ii) While employed in government, industry, academia, or public
12 practice; and

13 (iii) Meeting the competency requirements in a manner as
14 determined by the board to be appropriate and established by board
15 rule; and

16 (e) Who has paid appropriate fees as established by rule by the
17 board.

18 (2) The examination described in subsection (1)(c) of this
19 section shall test the applicant's knowledge of the subjects of
20 accounting and auditing, and other related fields the board may
21 specify by rule. The time for holding the examination is fixed by the
22 board and may be changed from time to time. The board shall prescribe
23 by rule the methods of applying for and taking the examination,
24 including methods for grading examinations and determining a passing
25 grade required of an applicant for a license. The board shall to the
26 extent possible see to it that the grading of the examination, and
27 the passing grades, are uniform with those applicable to all other
28 states. The board may make use of all or a part of the uniform
29 certified public accountant examination and advisory grading service
30 of the American Institute of Certified Public Accountants and may
31 contract with third parties to perform administrative services with
32 respect to the examination as the board deems appropriate to assist
33 it in performing its duties under this chapter. The board shall
34 establish by rule provisions for transitioning to a new examination
35 structure or to a new media for administering the examination.

36 (3) The board shall charge each applicant an examination fee for
37 the initial examination or for reexamination. The applicable fee
38 shall be paid by the person at the time he or she applies for
39 examination, reexamination, or evaluation of educational
40 qualifications. Fees for examination, reexamination, or evaluation of

1 educational qualifications shall be determined by the board under
2 chapter 18.04 RCW. There is established in the state treasury an
3 account to be known as the certified public accountants' account. All
4 fees received from candidates to take any or all sections of the
5 certified public accountant examination shall be used only for costs
6 related to the examination.

7 (4) Persons who on June 30, 2001, held valid certificates
8 previously issued under this chapter shall be deemed to be
9 certificate holders, subject to the following:

10 (a) Certificate holders may, prior to June 30, 2006, petition the
11 board to become licensees by documenting to the board that they have
12 gained one year of experience through the use of accounting, issuing
13 reports (~~((on financial statements))~~), management advisory, financial
14 advisory, tax, tax advisory, or consulting skills, without regard to
15 the eight-year limitation set forth in (b) of this subsection, while
16 employed in government, industry, academia, or public practice.

17 (b) Certificate holders who do not petition to become licensees
18 prior to June 30, 2006, may after that date petition the board to
19 become licensees by documenting to the board that they have one year
20 of experience acquired within eight years prior to applying for a
21 license through the use of accounting, issuing reports (~~((on financial
22 statements))~~), management advisory, financial advisory, tax, tax
23 advisory, or consulting skills in government, industry, academia, or
24 public practice.

25 (c) Certificate holders who petition the board pursuant to (a) or
26 (b) of this subsection must also meet competency requirements in a
27 manner as determined by the board to be appropriate and established
28 by board rule.

29 (d) Any certificate holder petitioning the board pursuant to (a)
30 or (b) of this subsection to become a licensee must submit to the
31 board satisfactory proof of having completed an accumulation of one
32 hundred twenty hours of CPE during the thirty-six months preceding
33 the date of filing the petition.

34 (e) Any certificate holder petitioning the board pursuant to (a)
35 or (b) of this subsection to become a licensee must pay the
36 appropriate fees established by rule by the board.

37 (5) Certificate holders shall comply with the prohibition against
38 the practice of public accounting in RCW 18.04.345.

39 (6) Persons who on June 30, 2001, held valid certificates
40 previously issued under this chapter are deemed to hold inactive

1 certificates, subject to renewal as inactive certificates, until they
2 have petitioned the board to become licensees and have met the
3 requirements of subsection (4) of this section. No individual who did
4 not hold a valid certificate before July 1, 2001, is eligible to
5 obtain an inactive certificate.

6 (7) Persons deemed to hold inactive certificates under subsection
7 (6) of this section shall comply with the prohibition against the
8 practice of public accounting in subsection (8)(b) of this section
9 and RCW 18.04.345, but are not required to display the term inactive
10 as part of their title, as required by subsection (8)(a) of this
11 section until renewal. Certificates renewed to any persons after June
12 30, 2001, are inactive certificates and the inactive certificate
13 holders are subject to the requirements of subsection (8) of this
14 section.

15 (8) Persons holding an inactive certificate:

16 (a) Must use or attach the term "inactive" whenever using the
17 title CPA or certified public accountant or referring to the
18 certificate, and print the word "inactive" immediately following the
19 title, whenever the title is printed on a business card, letterhead,
20 or any other document, including documents published or transmitted
21 through electronic media, in the same font and font size as the
22 title; and

23 (b) Are prohibited from practicing public accounting.

24 **Sec. 4.** RCW 18.04.195 and 2008 c 16 s 3 are each amended to read
25 as follows:

26 (1) The board shall grant or renew licenses to practice as a CPA
27 firm to applicants that demonstrate their qualifications therefore in
28 accordance with this section.

29 (a) The following must hold a license issued under this section:

30 (i) Any firm with an office in this state performing attest
31 services as defined in RCW 18.04.025(1) or compilations as defined in
32 RCW 18.04.025(6);

33 (ii) Any firm with an office in this state that uses the title
34 "CPA" or "CPA firm"; or

35 (iii) Any firm that does not have an office in this state but
36 ~~((performs))~~ offers or renders attest services described in RCW
37 18.04.025(~~((1) (a), (c), or (d) for a client having its home office))~~)
38 in this state, unless it meets each of the following requirements:

1 (A) Complies with the qualifications described in subsection
2 (3)(c), (4)(a), or (5)(c) of this section;

3 (B) Meets the board's quality assurance review program
4 requirements authorized by RCW 18.04.055(9) and the rules
5 implementing such section;

6 (C) Performs such services through an individual with practice
7 privileges under RCW 18.04.350(2); and

8 (D) Can lawfully do so in the state where said individuals with
9 practice privileges have their principal place of business.

10 (b) A firm that is not subject to the requirements of subsection
11 (1)(a)(~~(iii)~~) of this section may perform compilation services
12 described in RCW 18.04.025(6) and other nonattest professional
13 services while using the title "CPA" or "CPA firm" in this state
14 without a license issued under this section only if:

15 (i) The firm performs such services through an individual with
16 practice privileges under RCW 18.04.350(2); and

17 (ii) The firm can lawfully do so in the state where said
18 individuals with practice privileges have their principal place of
19 business(~~;~~~~and~~

20 ~~(iii) A firm performing services described in RCW 18.04.025~~
21 ~~(1)(b) and (6) meets the board's quality assurance [review] program~~
22 ~~requirements authorized by RCW 18.04.055(9) and the rules~~
23 ~~implementing that section)).~~

24 (2) A sole proprietorship required to obtain a license under
25 subsection (1) of this section shall license, as a firm, every three
26 years with the board.

27 (a) The sole proprietor shall hold and renew a license to
28 practice under RCW 18.04.105 and 18.04.215, or, in the case of a sole
29 proprietorship that must obtain a license pursuant to subsection
30 (1)(a)(iii) of this section, be a licensee of another state who meets
31 the requirements in RCW 18.04.350(2);

32 (b) Each resident individual in charge of an office located in
33 this state shall hold and renew a license to practice under RCW
34 18.04.105 and 18.04.215; and

35 (c) The licensed firm must meet (~~competency~~) requirements
36 established by rule by the board.

37 (3) A partnership required to obtain a license under subsection
38 (1) of this section shall license as a firm every three years with
39 the board, and shall meet the following requirements:

1 (a) At least one general partner of the partnership shall hold
2 and renew a license to practice under RCW 18.04.105 and 18.04.215,
3 or, in the case of a partnership that must obtain a license pursuant
4 to subsection (1)(a)(iii) of this section, be a licensee of another
5 state who meets the requirements in RCW 18.04.350(2);

6 (b) Each resident individual in charge of an office in this state
7 shall hold and renew a license to practice under RCW 18.04.105 and
8 18.04.215;

9 (c) At least a simple majority of the ownership of the licensed
10 firm in terms of financial interests and voting rights of all
11 partners or owners shall be held by persons who are licensees or
12 holders of a valid license issued under this chapter or by another
13 state. The principal partner of the partnership and any partner
14 having authority over issuing reports (~~((on financial statements))~~)
15 shall hold a license under this chapter or issued by another state;
16 and

17 (d) The licensed firm must meet (~~((competency))~~) requirements
18 established by rule by the board.

19 (4) A corporation required to obtain a license under subsection
20 (1) of this section shall license as a firm every three years with
21 the board and shall meet the following requirements:

22 (a) At least a simple majority of the ownership of the licensed
23 firm in terms of financial interests and voting rights of all
24 shareholders or owners shall be held by persons who are licensees or
25 holders of a valid license issued under this chapter or by another
26 state and is principally employed by the corporation or actively
27 engaged in its business. The principal officer of the corporation and
28 any officer or director having authority over issuing reports (~~((on financial statements))~~)
29 shall hold a license under this chapter or
30 issued by another state;

31 (b) At least one shareholder of the corporation shall hold a
32 license under RCW 18.04.105 and 18.04.215, or, in the case of a
33 corporation that must obtain a license pursuant to subsection
34 (1)(a)(iii) of this section, be a licensee of another state who meets
35 the requirements in RCW 18.04.350(2);

36 (c) Each resident individual in charge of an office located in
37 this state shall hold and renew a license under RCW 18.04.105 and
38 18.04.215;

39 (d) A written agreement shall bind the corporation or its
40 shareholders to purchase any shares offered for sale by, or not under

1 the ownership or effective control of, a qualified shareholder, and
2 bind any holder not a qualified shareholder to sell the shares to the
3 corporation or its qualified shareholders. The agreement shall be
4 noted on each certificate of corporate stock. The corporation may
5 purchase any amount of its stock for this purpose, notwithstanding
6 any impairment of capital, as long as one share remains outstanding;

7 (e) The corporation shall comply with any other rules pertaining
8 to corporations practicing public accounting in this state as the
9 board may prescribe; and

10 (f) The licensed firm must meet (~~competency~~) requirements
11 established by rule by the board.

12 (5) A limited liability company required to obtain a license
13 under subsection (1) of this section shall license as a firm every
14 three years with the board, and shall meet the following
15 requirements:

16 (a) At least one member of the limited liability company shall
17 hold a license under RCW 18.04.105 and 18.04.215, or, in the case of
18 a limited liability company that must obtain a license pursuant to
19 subsection (1)(a)(iii) of this section, be a licensee of another
20 state who meets the requirements in RCW 18.04.350(2);

21 (b) Each resident manager or member in charge of an office
22 located in this state shall hold and renew a license under RCW
23 18.04.105 and 18.04.215;

24 (c) At least a simple majority of the ownership of the licensed
25 firm in terms of financial interests and voting rights of all owners
26 shall be held by persons who are licensees or holders of a valid
27 license issued under this chapter or by another state. The principal
28 member or manager of the limited liability company and any member
29 having authority over issuing reports (~~(on financial statements)~~)
30 shall hold a license under this chapter or issued by another state;
31 and

32 (d) The licensed firm must meet (~~competency~~) requirements
33 established by rule by the board.

34 (6) Application for a license as a firm with an office in this
35 state shall be made upon the affidavit of the proprietor or
36 individual designated as managing partner, member, or shareholder for
37 Washington. This individual shall hold a license under RCW 18.04.215.

38 (7) In the case of a firm licensed in another state and required
39 to obtain a license under subsection (1)(a)(iii) of this section, the
40 application for the firm license shall be made upon the affidavit of

1 an individual who qualifies for practice privileges in this state
2 under RCW 18.04.350(2) who has been authorized by the applicant firm
3 to make the application. The board shall determine in each case
4 whether the applicant is eligible for a license.

5 (8) The board shall be given notification within ninety days
6 after the admission or withdrawal of a partner, shareholder, or
7 member engaged in this state in the practice of public accounting
8 from any partnership, corporation, or limited liability company so
9 licensed.

10 (9) Licensed firms that fall out of compliance with the
11 provisions of this section due to changes in firm ownership, after
12 receiving or renewing a license, shall notify the board in writing
13 within ninety days of its falling out of compliance and propose a
14 time period in which they will come back into compliance. The board
15 may grant a reasonable period of time for a firm to be in compliance
16 with the provisions of this section. Failure to bring the firm into
17 compliance within a reasonable period of time, as determined by the
18 board, may result in suspension, revocation, or imposition of
19 conditions on the firm's license.

20 (10) Fees for the license as a firm and for notification of the
21 board of the admission or withdrawal of a partner, shareholder, or
22 member shall be determined by the board. Fees shall be paid by the
23 firm at the time the license application form or notice of admission
24 or withdrawal of a partner, shareholder, or member is filed with the
25 board.

26 (11) Nonlicensee owners of licensed firms are:

27 (a) Required to fully comply with the provisions of this chapter
28 and board rules;

29 (b) Required to be an individual;

30 (c) Required to be of good character, as defined in RCW
31 18.04.105(1)(a), and an active individual participant in the licensed
32 firm or affiliated entities as these terms are defined by board rule;
33 and

34 (d) Subject to discipline by the board for violation of this
35 chapter.

36 (12) Resident nonlicensee owners of licensed firms are required
37 to meet:

38 (a) The ethics examination, registration, and fee requirements as
39 established by the board rules; and

40 (b) The ethics CPE requirements established by the board rules.

1 (13)(a) Licensed firms must notify the board within thirty days
2 after:

3 (i) Sanction, suspension, revocation, or modification of their
4 professional license or practice rights by the securities exchange
5 commission, internal revenue service, or another state board of
6 accountancy;

7 (ii) Sanction or order against the licensee or nonlicensee firm
8 owner by any federal or other state agency related to the licensee's
9 practice of public accounting or violation of ethical or technical
10 standards established by board rule; or

11 (iii) The licensed firm is notified that it has been charged with
12 a violation of law that could result in the suspension or revocation
13 of the firm's license by a federal or other state agency, as
14 identified by board rule, related to the firm's professional license,
15 practice rights, or violation of ethical or technical standards
16 established by board rule.

17 (b) The board must adopt rules to implement this subsection and
18 may also adopt rules specifying requirements for licensees to report
19 to the board sanctions or orders relating to the licensee's practice
20 of public accounting or violation of ethical or technical standards
21 entered against the licensee by a nongovernmental professionally
22 related standard-setting entity.

23 **Sec. 5.** RCW 18.04.345 and 2009 c 116 s 1 are each amended to
24 read as follows:

25 (1) No individual may assume or use the designation "certified
26 public accountant-inactive" or "CPA-inactive" or any other title,
27 designation, words, letters, abbreviation, sign, card, or device
28 tending to indicate that the individual is a certified public
29 accountant-inactive or CPA-inactive unless the individual holds a
30 certificate. Individuals holding only a certificate may not practice
31 public accounting.

32 (2) No individual may hold himself or herself out to the public
33 or assume or use the designation "certified public accountant" or
34 "CPA" or any other title, designation, words, letters, abbreviation,
35 sign, card, or device tending to indicate that the individual is a
36 certified public accountant or CPA unless the individual qualifies
37 for the privileges authorized by RCW 18.04.350(2) or holds a license
38 under RCW 18.04.105 and 18.04.215.

1 (3) No firm with an office in this state may perform or offer to
2 perform attest services as defined in RCW 18.04.025(1) or compilation
3 services as defined in RCW 18.04.025(6) or assume or use the
4 designation "certified public accountant" or "CPA" or any other
5 title, designation, words, letters, abbreviation, sign, card, or
6 device tending to indicate that the firm is composed of certified
7 public accountants or CPAs, unless the firm is licensed under RCW
8 18.04.195 and all offices of the firm in this state are maintained
9 and registered under RCW 18.04.205. This subsection does not limit
10 the services permitted under RCW 18.04.350(10) by persons not
11 required to be licensed under this chapter.

12 (4) No firm may perform the services defined in RCW 18.04.025(1)
13 (~~((a), (c), or (d) for a client with its home office))~~) in this state
14 unless the firm is licensed under RCW 18.04.195, renews the firm
15 license as required under RCW 18.04.215, and all offices of the firm
16 in this state are maintained and registered under RCW 18.04.205.

17 (5) No individual, partnership, limited liability company, or
18 corporation offering public accounting services to the public may
19 hold himself, herself, or itself out to the public, or assume or use
20 along, or in connection with his, hers, or its name, or any other
21 name the title or designation "certified accountant," "chartered
22 accountant," "licensed accountant," "licensed public accountant,"
23 "public accountant," or any other title or designation likely to be
24 confused with "certified public accountant" or any of the
25 abbreviations "CA," "LA," "LPA," or "PA," or similar abbreviations
26 likely to be confused with "CPA."

27 (6) No licensed firm may operate under an alias, a firm name,
28 title, or "DBA" that differs from the firm name that is registered
29 with the board.

30 (7) No individual with an office in this state may sign, affix,
31 or associate his or her name or any trade or assumed name used by the
32 individual in his or her business to any report prescribed by
33 professional standards unless the individual holds a license to
34 practice under RCW 18.04.105 and 18.04.215, a firm holds a license
35 under RCW 18.04.195, and all of the individual's offices in this
36 state are registered under RCW 18.04.205.

37 (8) No individual licensed in another state may sign, affix, or
38 associate a firm name to any report prescribed by professional
39 standards, or associate a firm name in conjunction with the title
40 certified public accountant, unless the individual:

1 (a) Qualifies for the practice privileges authorized by RCW
2 18.04.350(2); or

3 (b) Is licensed under RCW 18.04.105 and 18.04.215, and all of the
4 individual's offices in this state are maintained and registered
5 under RCW 18.04.205.

6 (9) No individual, partnership, limited liability company, or
7 corporation not holding a license to practice under RCW 18.04.105 and
8 18.04.215, or firm not licensed under RCW 18.04.195 or firm not
9 registering all of the firm's offices in this state under RCW
10 18.04.205, or not qualified for the practice privileges authorized by
11 RCW 18.04.350(2), may hold himself, herself, or itself out to the
12 public as an "auditor" with or without any other description or
13 designation by use of such word on any sign, card, letterhead, or in
14 any advertisement or directory.

15 (10) For purposes of this section, because individuals practicing
16 using practice privileges under RCW 18.04.350(2) are deemed
17 substantially equivalent to licensees under RCW 18.04.105 and
18 18.04.215, every word, term, or reference that includes the latter
19 shall be deemed to include the former, provided the conditions of
20 such practice privilege, as set forth in RCW 18.04.350 (4) and (5)
21 are maintained.

22 (11) Notwithstanding anything to the contrary in this section, it
23 is not a violation of this section for a firm that does not hold a
24 valid license under RCW 18.04.195 and that does not have an office in
25 this state to use the title "CPA" or "certified public accountant" as
26 part of the firm's name and to provide its professional services in
27 this state, and licensees and individuals with practice privileges
28 may provide services on behalf of such firms so long as it complies
29 with the requirements of RCW 18.04.195(1)((~~b~~)). An individual or
30 firm authorized under this subsection to use practice privileges in
31 this state must comply with the requirements otherwise applicable to
32 licensees in this section.

33 **Sec. 6.** RCW 18.04.205 and 2008 c 16 s 4 are each amended to read
34 as follows:

35 (1) Each office established or maintained in this state for the
36 purpose of offering to issue or issuing ((~~attest or compilation~~))
37 reports in this state or that uses the title "certified public
38 accountant" or "CPA," shall register with the board under this
39 chapter every three years.

(2) Each office established or maintained in this state shall be under the direct supervision of a resident licensee holding a license under RCW 18.04.105 and 18.04.215.

(3) The board shall by rule prescribe the procedure to be followed to register and maintain offices established in this state for the purpose of offering to issue or issuing attest or compilation reports or that use the title "certified public accountant" or "CPA."

(4) Fees for the registration of offices shall be determined by the board. Fees shall be paid by the applicant at the time the registration form is filed with the board.

Sec. 7. RCW 18.04.350 and 2008 c 16 s 6 are each amended to read as follows:

(1) Nothing in this chapter prohibits any individual not holding a license and not qualified for the practice privileges authorized by subsection (2) of this section from serving as an employee of a firm licensed under RCW 18.04.195 and 18.04.215. However, the employee shall not issue any ~~((compilation, review, audit, or examination))~~ report ~~((on financial or other information))~~ as defined in this chapter, on the information of any other persons, firms, or governmental units over his or her name.

(2) An individual whose principal place of business is not in this state shall be presumed to have qualifications substantially equivalent to this state's requirements and shall have all the privileges of licensees of this state without the need to obtain a license under RCW 18.04.105 if the individual:

(a) Holds a valid license as a certified public accountant from any state that requires, as a condition of licensure, that an individual:

(i) Have at least one hundred fifty semester hours of college or university education including a baccalaureate or higher degree conferred by a college or university;

(ii) Achieve a passing grade on the uniform certified public accountant examination; and

(iii) Possess at least one year of experience including service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills, all of which was verified by a licensee; or

(b) Holds a valid license as a certified public accountant from any state that does not meet the requirements of (a) of this

subsection, but such individual's qualifications are substantially equivalent to those requirements. Any individual who passed the uniform certified public accountant examination and holds a valid license issued by any other state prior to January 1, 2012, may be exempt from the education requirements in (a)(i) of this subsection for purposes of this section.

(3) Notwithstanding any other provision of law, an individual who qualifies for the practice privilege under subsection (2) of this section may offer or render professional services, whether in person or by mail, telephone, or electronic means, and no notice, fee, or other submission shall be provided by any such individual. Such an individual shall be subject to the requirements of subsection (4) of this section.

(4) Any individual licensee of another state exercising the privilege afforded under subsection (2) of this section and the firm that employs that licensee simultaneously consent, as a condition of exercising this privilege:

(a) To the personal and subject matter jurisdiction and disciplinary authority of the board;

(b) To comply with this chapter and the board's rules;

(c) That in the event the license from the state of the individual's principal place of business is no longer valid, the individual will cease offering or rendering professional services in this state individually and on behalf of a firm; and

(d) To the appointment of the state board which issued the certificate or license as their agent upon whom process may be served in any action or proceeding by this state's board against the certificate holder or licensee.

(5) An individual who qualifies for practice privileges under subsection (2) of this section (~~may, for any entity with its home office in this state, perform the following services only through a firm that has obtained a license under RCW 18.04.195 and 18.04.215:~~

~~(a) Any financial statement audit or other engagement to be performed in accordance with statements on auditing standards;~~

~~(b) Any examination of prospective financial information to be performed in accordance with statements on standards for attestation engagements; or~~

~~(c) Any engagement to be performed in accordance with public company accounting oversight board auditing standards))~~ who performs any attest service described in RCW 18.04.025(1) may only do so

1 through a firm which has obtained a license under RCW 18.04.195 and
2 18.04.215 or which meets the requirements for an exception from the
3 firm licensure requirements under RCW 18.04.195(1) (a)(iii) or (b).

4 (6) A licensee of this state offering or rendering services or
5 using their CPA title in another state shall be subject to
6 disciplinary action in this state for an act committed in another
7 state for which the licensee would be subject to discipline for an
8 act committed in the other state. Notwithstanding RCW 18.04.295 and
9 this section, the board shall cooperate with and investigate any
10 complaint made by the board of accountancy of another state or
11 jurisdiction.

12 (7) Nothing in this chapter prohibits a licensee, a licensed
13 firm, any of their employees, or persons qualifying for practice
14 privileges by this section from disclosing any data in confidence to
15 other certified public accountants, quality assurance or peer review
16 teams, partnerships, limited liability companies, or corporations of
17 certified public accountants or to the board or any of its employees
18 engaged in conducting quality assurance or peer reviews, or any one
19 of their employees in connection with quality or peer reviews of that
20 accountant's accounting and auditing practice conducted under the
21 auspices of recognized professional associations.

22 (8) Nothing in this chapter prohibits a licensee, a licensed
23 firm, any of their employees, or persons qualifying for practice
24 privileges by this section from disclosing any data in confidence to
25 any employee, representative, officer, or committee member of a
26 recognized professional association, or to the board, or any of its
27 employees or committees in connection with a professional
28 investigation held under the auspices of recognized professional
29 associations or the board.

30 (9) Nothing in this chapter prohibits any officer, employee,
31 partner, or principal of any organization:

32 (a) From affixing his or her signature to any statement or report
33 in reference to the affairs of the organization with any wording
34 designating the position, title, or office which he or she holds in
35 the organization; or

36 (b) From describing himself or herself by the position, title, or
37 office he or she holds in such organization.

38 (10) Nothing in this chapter prohibits any person or firm
39 composed of persons not holding a license under this chapter from
40 offering or rendering to the public bookkeeping, accounting, tax

1 services, the devising and installing of financial information
2 systems, management advisory, or consulting services, the preparation
3 of tax returns, or the furnishing of advice on tax matters, the
4 preparation of financial statements, written statements describing
5 how such financial statements were prepared, or similar services,
6 provided that persons, partnerships, limited liability companies, or
7 corporations not holding a license who offer or render these services
8 do not designate any written statement as ~~((an "audit report,"~~
9 ~~"review report," or "compilation report," do not issue any written~~
10 ~~statement which purports to express or disclaim an opinion on~~
11 ~~financial statements which have been audited, and do not issue any~~
12 ~~written statement which expresses assurance on financial statements~~
13 ~~which have been reviewed))~~ a report as defined in RCW 18.04.025(21)
14 or use any language in any statement relating to the financial
15 affairs of a person or entity which is conventionally used by
16 licensees in reports or any attest service as defined in this
17 chapter.

18 (11) Nothing in this chapter prohibits any act of or the use of
19 any words by a public official or a public employee in the
20 performance of his or her duties.

21 (12) Nothing contained in this chapter prohibits any person who
22 holds only a valid certificate from assuming or using the designation
23 "certified public accountant-inactive" or "CPA-inactive" or any other
24 title, designation, words, letters, sign, card, or device tending to
25 indicate the person is a certificate holder, provided, that such
26 person does not perform or offer to perform for the public one or
27 more kinds of services involving the use of accounting or auditing
28 skills, including issuance of reports ~~((on financial statements))~~ or
29 of one or more kinds of management advisory, financial advisory,
30 consulting services, the preparation of tax returns, or the
31 furnishing of advice on tax matters.

32 (13) Nothing in this chapter prohibits the use of the title
33 "accountant" by any person regardless of whether the person has been
34 granted a certificate or holds a license under this chapter. Nothing
35 in this chapter prohibits the use of the title "enrolled agent" or
36 the designation "EA" by any person regardless of whether the person
37 has been granted a certificate or holds a license under this chapter
38 if the person is properly authorized at the time of use to use the
39 title or designation by the United States department of the treasury.
40 The board shall by rule allow the use of other titles by any person

1 regardless of whether the person has been granted a certificate or
2 holds a license under this chapter if the person using the titles or
3 designations is authorized at the time of use by a nationally
4 recognized entity sanctioning the use of board authorized titles.

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