

HOUSE BILL REPORT

HB 1208

As Passed Legislature

Title: An act relating to public accounting services.

Brief Description: Concerning public accounting services.

Sponsors: Representatives Vick, Kirby and Wylie; by request of State Board of Accountancy.

Brief History:

Committee Activity:

Consumer Protection & Business: 1/29/19, 1/30/19 [DP].

Floor Activity:

Passed House: 2/14/19, 96-0.

Passed Senate: 4/10/19, 46-0.

Passed Legislature.

Brief Summary of Bill

- Adds attest and compilation services as included functions of Certified Public Accountants (CPA) and CPA firms.
- Exempts CPA firms that do not provide or offer to provide attest services or compilations from the requirement to obtain or renew a CPA firm license.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass. Signed by 13 members: Representatives Kirby, Chair; Reeves, Vice Chair; Vick, Ranking Minority Member; Hoff, Assistant Ranking Minority Member; Barkis, Blake, Dufault, Ryu, Santos, Stanford, Volz, Walen and Ybarra.

Staff: Robbi Kesler (786-7153).

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" or "CPAs." The Board of Accountancy (Board) issues licenses, adopts rules, conducts investigations, and otherwise administers the Act.

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

Certified Public Accountants 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.

The "practice of public accounting" means performing or offering to perform one or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports, or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or consulting services on tax matters.

The CPAs and CPA firms may also provide "attest" services. "Attest" means providing the following financial statement services:

- any audit or other engagement to be performed in accordance with the Statements on Auditing Standards;
- any review of a financial statement to be provided in accordance with the Statements on Standards for Accounting and Review Services;
- any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements; and
- any engagement to be performed in accordance with the Public Company Accounting Oversight Board Auditing Standards.

The CPAs and CPA firms may also provide "compilation" services. "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.

Summary of Bill:

Various provisions of the Public Accountancy Act (Act) are amended to include attest and compilation services as included functions of CPAs and CPA firms. The CPA firms that do not provide or offer to provide attest services or compilations are not required to obtain or renew a CPA firm license.

Various provisions related to the use of "certified public accountant" and "CPA" in firm or office titles are amended. The firm offering accounting and other regulated services must be licensed by the Board; however, specific language prohibiting the use of the "certified public accountant" and "CPA" are removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 3 and 6, relating to license requirements and prohibited practices, which takes effect June 30, 2023, and sections 2 and 5, relating to license requirements and prohibited practices, which expire June 30, 2023.

Staff Summary of Public Testimony:

(In support) This bill requires less people to get licenses, or, for those that do need a license, there may be less licensing. The intent is to "right size" the regulatory footprint of CPA firms and implement only what is good and necessary. This bill allows accounting firms that do not offer attest or compilation services to have the choice of being licensed which benefits small firms.

(Opposed) None.

Persons Testifying: Representative Vick, prime sponsor; Charles Satterlund, Board of Accountancy; and Writu Kakshapati, Washington Society of Certified Public Accountants.

Persons Signed In To Testify But Not Testifying: None.