

FINAL BILL REPORT

HB 1920

C 13 L 24
Synopsis as Enacted

Brief Description: Modifying the public accountancy act.

Sponsors: Representatives Robertson, Reeves, Ryu and Graham.

House Committee on Consumer Protection & Business
Senate Committee on Business, Financial Services, Gaming & Trade

Background:

The Public Accountancy Act (Accountancy Act) governs the practice of accounting in Washington and the Board of Accountancy (Board) regulates the accounting profession and administers a licensing program for persons and firms that engage in the practice of public accounting.

Certified Public Accountant and Firm Licenses.

To become a licensed Certified Public Accountant (CPA), a person must:

- possess good character;
- meet educational standards established by rule by the Board;
- pass a CPA exam;
- have one year of experience using accounting or related skills while employed in government industry, academia, or public practice, and have met the competency requirements set by the Board; and
- pay fees established by the Board.

Firms, which include corporations, partnerships, limited liability companies, and sole proprietorships, that perform, or offer to perform, attest or compilation services, and not otherwise qualifying for an exception, must obtain a firm license and adhere to entity-specific requirements. With certain variations depending on the entity structure of the firm, a firm must:

- obtain the appropriate firm license and renew it with the Board every three years;
- require each resident individual in charge of an office in this state to hold a CPA

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- license;
- require that at least a simple majority of the ownership of a licensed firm, in terms of financial interests and voting rights, hold a CPA license issued by the state or by another state, and that the principal partner, officer, member, or manager having authority over issuing reports hold a CPA license issued by this state or by another state;
 - require that at least one general partner, shareholder, or member of the firm hold an individual CPA license or a practice privilege; and
 - meet requirements established by rule by the Board.

Firms that are structured as corporations are subject to further shareholder and stock requirements.

Each firm office established or maintained in this state must be under the direct supervision of a resident licensee with a state CPA license.

Practice Privilege.

Under certain circumstances, an individual with a principal place of business outside of this state is presumed to have qualifications substantially equivalent to this state's requirements and to hold all of the same practice privileges as Washington licensees, without obtaining a Washington CPA license. These circumstances include when an individual:

- holds a valid CPA license from any state that requires, as a condition of licensure, that the individual: (1) have at least 150 semester hours of university education; (2) pass the uniform CPA exam; and (3) possess at least one year of relevant, qualifying experience; or
- holds a valid CPA license from any state that does not meet the aforementioned requirements, but the individual possesses qualifications that are substantially equivalent to this state's requirements.

Prohibited Actions and Exemptions.

The Accountancy Act expressly prohibits certain conduct including, for example: (1) using the designation of "certified public accountant" without holding a license or practice privilege; (2) a firm's performance of attest or compilation services without a firm license and registered offices; and (3) holding oneself out to the public as an auditor without the appropriate license or practice privilege. Nothing in the Accountancy Act prohibits any act of, or the use of any words by, a public official or a public employee in the performance of the person's duties.

Summary:

Certified Public Accountancy License Requirements.

Firms.

The definition of "firm" or "CPA firm" in the Accountancy Act is modified to include "any other form of organization issued a license" under the Accountancy Act, and the standalone

definition for "sole proprietorship" is removed.

Entity-specific requirements for licensed CPA firms are removed, and one set of requirements is established for all CPA firms that must obtain a license under the Accountancy Act. These requirements include that:

- A simple majority of the ownership of a CPA firm must hold and renew an individual state CPA license or hold a practice privilege.
- All licensee and nonlicensee owners of a CPA firm must comply with rules promulgated by the Board.
- The principal member, manager, officer, or partner of a CPA firm having authority over issuing reports must hold an individual state CPA license or hold a practice privilege.
- CPA firms must comply with office registration requirements.

The practice of public accounting in each office of a CPA firm established or maintained in this state must still take place under the direct supervision of a resident licensee with a state CPA license, except that nonlicensees are not precluded from being in charge of a CPA firm.

Individual Licensees.

The requirement that an applicant for a license to practice public accounting possess one year of specified experience is removed and an applicant must instead meet experience requirements established by rule by the Board as the Board deems appropriate.

Practice Privilege.

The requirements for an out-of-state licensee to practice public accounting in Washington without obtaining a Washington license are modified. An out-of-state licensee must be presumed to possess qualifications having substantial equivalency to this state's requirements if the individual either:

- holds a valid license or certificate as a CPA from any state or jurisdiction of the United States that requires the individual meet requirements having substantial equivalency to those set by the Board; or
- holds a valid license or certificate as a CPA from any state or jurisdiction of the United States whose licensing requirements do not meet this state's requirements, but the individual possesses qualifications having substantial equivalency to those of this state.

Prohibited Actions and Exemptions.

Prohibited actions and exemptions to those prohibitions are consolidated into one section of the Accountancy Act. The Accountancy Act does not prohibit any act of, or the use of any words by, a public official or public employee when, in performance of their duties, they: (1) perform compilation or attest services; and (2) are held out to the public as an auditor.

Other Revisions.

The Board may take adverse action against a licensee for:

1. dishonesty or fraud in obtaining a license, or in any filing with the Board;
2. performance of any fraudulent act while holding a license or privilege issued under the Accountancy Act; and
3. making any false or misleading statement or certification in support of an application for a license filed by another.

Other changes include that words referring to gender are replaced with gender neutral terms, references to "substantially equivalent" are replaced with "having substantial equivalency" throughout the Accountancy Act, and certain intent sections and effective date provisions are removed.

Votes on Final Passage:

House	96	0
Senate	48	0

Effective: June 6, 2024