

SENATE BILL REPORT

ESHB 2293

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 2, 1992

**Brief Description:** Changing CPA licensing requirements.

**SPONSORS:** House Committee on State Government (originally sponsored by Representatives Anderson, Bowman, Sheldon, McLean, D. Sommers, Forner, Ogden and Chandler)

HOUSE COMMITTEE ON STATE GOVERNMENT

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass as amended.

Signed by Senators Matson, Chairman; Anderson, Vice Chairman; Bluechel, McDonald, McMullen, Moore, and Skratek.

**Staff:** Forrest Bathurst (786-7429)

**Hearing Dates:** February 28, 1992

SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bauer, Bluechel, Cantu, Gaspard, Hayner, M. Kreidler, Metcalf, Murray, Niemi, Saling, Talmadge, West, and Wojahn.

**Staff:** Martin Chaw (786-7715)

**Hearing Dates:** March 2, 1992

**BACKGROUND:**

Board of Accountancy: The Board of Accountancy consists of five members. Four of the members must hold CPA certificates and have worked in public practice, and one member represents the public at large. Statute assigns to the board certain responsibilities and authority to establish and maintain high standards of competence and integrity in the field of accountancy. The board hires its own staff, including its executive director.

Education and Examination Requirements: The Board of Accountancy has the authority to establish requirements regarding the taking and passing of the CPA exam, and requirements for initial and continuing education. The board establishes these requirements by rule. Currently CPA candidates must complete 120 semester hours of schooling.

Professional Association Activities: There are national and state-level professional organizations which CPAs may choose to join. These organizations are not state agencies and determine their own rules and qualifications for membership.

Reciprocity: The Board of Accountancy is authorized to issue a CPA certificate to a CPA from another state, on two conditions: 1) that the requirements which the applicant had to meet in order to get the certificate from another state are at least equivalent to the requirements in Washington, and 2) that the state of origin has similar reciprocity rules for CPAs from Washington.

Funding: The Board of Accountancy charges several different examination, registration, and licensing fees. One set of fees goes directly into a dedicated fund called the certified public accountants account. This account is used for administration of the CPA exam. All other fees collected by the board go into the state's general fund.

#### **SUMMARY:**

Board of Accountancy: The board's membership is increased from five to seven. The two new members must hold CPA certificates. The board's authority to conduct reviews and investigations and to discipline CPAs is expanded. The board's authority to regulate CPA certificate holders as well as CPA license holders is clarified. Added to statute are detailed definitions of practicing public accounting and "holding out" services to the public.

The appointment authority for the executive director of the board is transferred from the board to the Governor.

Education and Examination Requirements: Specific requirements regarding education and the CPA examination are moved out of board rules and into statute. Eight years after the effective date of this act, the educational requirement increases from the current 120 semester hours to a baccalaureate or higher degree and 150 semester hours of college education at an institution acceptable to the board. An educational program must have a concentration in accounting as determined appropriate by the board.

The board of accountancy is directed to assess a surcharge equal to 15 percent of the CPA license fee for each license issued or renewed. Funds collected through this surcharge are to be used for financial assistance for economically disadvantaged students who are taking their last 30 semester hours in accountancy programs.

Professional Association Activities: New definitions of the terms "quality review" and "review committee" are added to statute. Quality reviews involve CPAs reviewing the work of other CPAs as a quality control mechanism associated with a professional association, and not affiliated with reviews conducted by the Board of Accountancy. There is a provision establishing that the findings of one of these review

committees are not subject to discovery, subpoena, or other means of legal process in a civil action, arbitration, administrative proceeding, or board proceeding.

Reciprocity: Requirements for the issuing of a Washington CPA certificate or license to a CPA from another state are provided. A new section also addresses the requirements for CPAs from other countries who wish to receive a certificate or license from Washington.

Funding: Beginning with the 1993-95 biennium, all fees collected by the board go into the CPA account.

**Appropriation:** none

**Revenue:** yes

**Fiscal Note:** requested

**SUMMARY OF PROPOSED COMMERCE & LABOR AMENDMENT:**

The language increasing the required college semester credits from 120 to 150 hours to obtain a CPA license is deleted. Also, the language requiring the completion of a baccalaureate degree to obtain a CPA license is deleted.

The language is deleted that establishes the CPA license surcharge earmarked for financing the financial assistance program for economically disadvantaged students in their last year of CPA coursework.

**SUMMARY OF PROPOSED WAYS & MEANS AMENDMENT:**

Language directing any unexpended 1991-93 appropriation to the Board of Accountancy to be deposited into the CPA account instead of reverting to the general fund is deleted.

**TESTIMONY FOR (Commerce & Labor):**

The CPA profession has changed with modern technology and work requirements. The provisions of this bill enable the profession to better address industry requirements as they now exist and develop in the future. The bill permits the industry to better police itself and guarantee a superior level of professionalism within its own ranks.

**TESTIMONY AGAINST (Commerce & Labor):** None

**TESTIFIED (Commerce & Labor):** Jim Boldt, WA CPA (pro)

**TESTIMONY FOR (Ways & Means):**

The act will address present and future changes to the accounting profession and will improve the standards expected of those in the accounting industry.

**TESTIMONY AGAINST (Ways & Means):** None

**TESTIFIED (Ways & Means):** PRO: Jim Boldt, WA CPA; Bill Fritz,  
Coalition Against Restrictive Entry