

HOUSE BILL REPORT

HB 2484

As Passed House:

February 11, 2004

Title: An act relating to modifying the public accountancy act but only with respect to: Expanding board member term limits, extending the experience look-back period for certificate holders, allowing out-of-state CPAs to qualify for a license with three years of public practice experience during the immediate past five years, expanding sanctioning authority over imposters and exam cheaters, and establishing a penalty for imposters whose license or certificate has been suspended or revoked.

Brief Description: Modifying the public accountancy act.

Sponsors: By Representatives Conway, McMorris and Wood; by request of State Board of Accountancy.

Brief History:

Committee Activity:

Commerce & Labor: 1/26/04, 1/28/04 [DP].

Floor Activity:

Passed House: 2/11/04, 96-0.

Brief Summary of Bill

- Makes various changes to the Public Accountancy Act, such as authorizing penalties against applicants, certain non-CPAs, and CPAs practicing public accounting with a revoked or suspended license, extending the grace period in which a certificate holder may convert to a CPA licensee, and allowing alternative experience requirements for reciprocity applicants from other states.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 8 members: Representatives Conway, Chair; McMorris, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Crouse, Holmquist, Hudgins, Kenney and McCoy.

Staff: Chris Cordes (786-7103).

Background:

Accountants and accounting firms engaging in public accounting in Washington are governed by Washington's Public Accountancy Act (Act). The Act requires these persons and firms to obtain and maintain a certified public accountant (CPA) license.

These requirements are administered and enforced by the nine-member Washington State Board of Accountancy (Board). The Governor appoints members of the Board to three-year terms. A person who has served two successive complete terms is not eligible for reappointment.

Beginning July 1, 2001, the Board was no longer authorized to issue CPA certificates. All persons practicing public accounting were required to have a CPA license. A holder of a valid certificate who wishes to become a CPA licensee may do so by meeting specified competency requirements and by documenting, before June 30, 2004, that he or she has had one year of financial experience through the use of accounting, issuing reports on financial statements, and obtaining other related skills. After this date, the certificate holder who wishes to become licensed will have to show that this experience occurs within the eight years prior to applying.

The Board must issue a Washington CPA license to an applicant from another state who holds a CPA license or certificate in the other state and who:

- is from a state that grants reciprocity to Washington applicants;
- meets the continuing professional education and good character requirements; and
- has (1) passed the examination and meets all current Washington requirements; (2) at the time of licensure in the other state met all of Washington's requirements; or (3) has experience in public accountancy in five of the 10 years immediately preceding the application.

The Board's enforcement authority under the Act includes authority to revoke or suspend a license or to refuse to renew or reinstate a license. In addition, the Board may impose fines against CPAs, licensed firms, and non-licensed owners. By rule, the Board may refuse to allow an applicant who has cheated on the CPA examination to take a future examination, but the Board does not have authority to impose a fine on such an applicant. Violations of the Act are also enforced with criminal penalties, such as the class C felony that applies when a person uses a professional title intended to deceive the public after having entered into a stipulated agreement with the Board.

Summary of Bill:

Board Appointments. Members of the Board of Accountancy are eligible for appointment to serve three, instead of two, successive complete terms.

Conversion from Certificate Holder to Licensee. The period is extended to June 30, 2006, during which a certificate holder may petition to become licensed as a CPA using

his or her previous experience without regard to whether the experience was obtained in the previous eight years.

Reciprocity. The reciprocity provisions under which the Board must issue a license to an applicant holding a CPA license or certificate from another state are modified. As an alternative to the requirement that the applicant must have had five years of public accountancy experience in the previous 10 years, the applicant may satisfy the experience requirement by having had three years of experience in the previous five years.

Enforcement. The Board's authority to revoke, suspend, or refuse to reinstate a license includes the authority to refuse to issue a license. The Board's authority to impose fines and costs for violations of the Act includes imposing fines and costs against an applicant or against a non-CPA who is violating certain prohibited practices relating to holding oneself out as a CPA. A person with a revoked or suspended license or certificate who uses the CPA title intending to deceive the public and who had entered into a stipulated agreement with the Board is guilty of a class C felony, subject to a \$30,000 maximum fine and imprisonment for not more than two years, or both.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which the bill is passed, except section 5, providing for a class C felony for certain persons using a suspended or revoked CPA licence, which takes effect July 1, 2004.

Testimony For: This bill was developed as part of the follow-up to the 2001 reform bill for public accountancy. The Washington State Board of Accountancy convened an advisory group representing a wide variety of interested stakeholders that developed and reviewed many proposals, including the provisions of this bill. The bill will give the Board more sanction authority over those who cheat on the CPA examinations and those who imposter as CPAs. Penalties in these cases are limited, and the cases are difficult and expensive to investigate. With this new authority, the Board could collect the costs of investigations in addition to other new penalties. The bill also gives the Board more latitude to license less experienced out-of-state applicants when a firm considers hiring individuals from a state with reciprocity. Extending the grace period for converting certificates to licenses helps to achieve the goals of the 2001 reform bill.

Testimony Against: None.

Persons Testifying: Dana McInturff and Mel Curtiss, Washington State Board of Accountancy.

Persons Signed In To Testify But Not Testifying: None.