

# SENATE BILL REPORT

## SB 6665

---

As Passed Senate, February 17, 1998

**Title:** An act relating to any cause of action based on negligence brought against any accountant licensed under chapter 18.04 RCW.

**Brief Description:** Establishing privity of contract for actions brought against accountants.

**Sponsors:** Senators Roach and Goings.

**Brief History:**

**Committee Activity:** Law & Justice: 2/5/98, 2/6/98 [DP, DNP].  
Passed Senate, 2/17/98, 39-10.

---

### SENATE COMMITTEE ON LAW & JUSTICE

**Majority Report:** Do pass.

Signed by Senators Roach, Chair; Johnson, Vice Chair; Hargrove, Long, McCaslin, Stevens and Zarelli.

**Minority Report:** Do not pass.

Signed by Senators Fairley, Kline and Thibaudeau.

**Staff:** David Johnson (786-7754)

**Background:** Accountants often prepare or review financial information for clients. That information is then used by a variety of individuals. Frequently, the accountant may not have been able to anticipate who would rely on the information.

The accountant may later be open to a lawsuit if someone is damaged by relying on the information. It is felt that accountants should only be liable for negligent acts against those who they know will be relying on the information.

**Summary of Bill:** Actions against accountants are limited to parties involved in the accountants' work. Suits against accountants for negligence are limited to two groups. Those who hired the accountant to compile or examine financial information may sue. Those who had directly communicated with the accountant that they would be relying on the information in a specific transaction may sue.

Liability for intentional acts is not affected.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** CPAs are liable for their work to an unusually broad category of people. They are targets of lawsuits from many unanticipated sources, sometimes years later. Liability should be limited, as this bill does, to those who work with the CPA.

**Testimony Against:** The scope of the bill is too broad. It excludes all except those who the CPA had actual knowledge of. Should exclude all except those who the CPA could have reasonably foreseen to rely on information.

**Testified:** Ron Rausch, WA Society of Certified Public Accountants (pro); Larry Shannon, Washington State Trial Lawyers Association (con).