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**Commerce & Labor Committee**

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**HB 2496**

**Brief Description:** Enhancing the mobility of certified public accountants.

**Sponsors:** Representatives Conway, Williams, Condotta, Moeller, Chandler, Green, Hurst, Wood, McIntire, Kenney and Chase.

**Brief Summary of Bill**

- Eliminates the requirement that out-of-state CPAs give notice to the State Board of Accountancy and pay a fee to have a practice privilege.
- Broadens which out-of-state CPAs automatically consent to Washington disciplinary authority and broadens the nature of the consent.
- Provides that an out-of-state CPA may perform certain attest services for a business with a home office in Washington only if the firm has a Washington license.
- Makes other changes in the Public Accountancy Act.

**Hearing Date:** 1/17/08

**Staff:** Joan Elgee (786-7106).

**Background:**

The Public Accountancy Act (Act) governs the practice of accounting in the state. 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) adopts rules, conducts investigations, and otherwise administers the Act.

Accountants and accounting firms perform various services which, depending on the service, must meet certain professional standards. The Board conducts a quality assurance review (QAR) program to review the work of licensees.

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*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.*

An individual whose principal place of business is outside Washington may obtain a practice privilege to practice without a Washington license if the person meets "substantial equivalency" requirements. The individual must either: (1) be licensed in a *state* whose entry requirements are substantially equivalent to Washington's requirements; or (2) as an *individual*, have the entry requirements that are substantially equivalent to Washington's requirements. To have the practice privilege, qualifying persons must notify the Board of their intent to "enter the state" and pay a fee. By rule, the Board interprets the notice and fee requirements to apply to individuals who spend more than 10 percent of their total work hours on activities conducted within the state or who conduct other specified activities in the state.

Out-of-state sole practitioner CPAs who have a practice privilege may perform all accounting work. Other practitioners who do specified work may do so only if the firm has a Washington license.

As a condition of exercising the practice privilege, an out-of-state CPA consents to the personal and subject matter jurisdiction of the Board and to the appointment of his or her home state board as the agent for service of process. If a board in another state makes a complaint, the Washington Board has authority to investigate.

"State" is defined to mean the District of Columbia, Puerto Rico, Guam, and the Virgin Islands in addition to the 50 states.

#### **Summary of Bill:**

The Legislature finds that the multiple state requirements for CPAs are cumbersome and an unnecessary constraint on the consumers of professional certified public accountant services.

The notice and fee requirements for the exercise of practice privileges by out-of-state CPAs are eliminated. The consent to jurisdiction for the practice privilege is broadened so that the firm, in addition to the individual, consents to personal and subject matter jurisdiction and both the firm and the individual consent to the disciplinary authority of the Board. In addition, if the individual's license from the other state is no longer valid, the individual agrees to stop practicing in Washington. The practice privilege and consent no longer apply only to CPAs who "enter the state."

The types of services that may be performed by individuals with practice privileges are modified. If certain attest services are performed by an individual with practice privileges for an entity with its home office in Washington, the firm must have a Washington license. These services are audits and examinations of prospective financial information performed in accordance with specified standards and any engagement to be performed in accordance with certain federal standards. Other services may be performed by a individual with practice privileges if the firm meets QAR program requirements. These services are review of financial statements and compilations, in accordance with specified standards.

The criteria for substantial equivalency are specified. A substantially equivalent state is one that requires: (1) at least 150 semester hours of college or university education, including a degree; (2) a passing grade on the uniform CPA exam; and (3) at least one year of experience. The Board may exempt an individual from the education requirement if the individual held a valid license before January 1, 2012.

A provision allowing the Board to exempt individuals with practice privileges from continuing education requirements is deleted as is a provision allowing the Board to accept a national organization's designation of substantial equivalency.

The Board's relationship with other boards is changed. The Board must (rather than may) investigate any complaint made by a board and must also cooperate with the other boards, including boards in other jurisdictions beyond the defined states.

New definitions are provided in statute. These include definitions of "attest" and "compilation."

The Commonwealth of the Northern Marianas is added to the list of jurisdictions considered a "state" for purposes of out-of-state practice privileges.

Housekeeping changes are made.

**Rules Authority.** The bill does not directly address rule-making; however, the Board will need to amend its rules to implement the provisions.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.