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ENGROSSED SUBSTITUTE SENATE BILL 6406

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State of Washington

64th Legislature

2016 Regular Session

By Senate Commerce & Labor (originally sponsored by Senators Warnick and Conway)

READ FIRST TIME 02/04/16.

1 AN ACT Relating to certified public accountant firm mobility; and  
2 amending RCW 18.04.025, 18.04.055, 18.04.105, 18.04.195, 18.04.345,  
3 18.04.205, and 18.04.350.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 18.04.025 and 2008 c 16 s 2 are each amended to read  
6 as follows:

7 Unless the context clearly requires otherwise, the definitions in  
8 this section apply throughout this chapter.

9 (1) "Attest" means providing the following ~~((financial~~  
10 ~~statement))~~ services:

11 (a) Any audit or other engagement to be performed in accordance  
12 with the statements on auditing standards;

13 (b) Any review of a financial statement to be provided in  
14 accordance with the statements on standards for accounting and review  
15 services;

16 (c) Any ~~((examination of prospective financial information))~~  
17 engagement to be performed in accordance with the statements on  
18 standards for attestation engagements; and

19 (d) Any engagement to be performed in accordance with the public  
20 company accounting oversight board auditing standards.

1 (2) "Board" means the board of accountancy created by RCW  
2 18.04.035.

3 (3) "Certificate" means a certificate as a certified public  
4 accountant issued prior to July 1, 2001, as authorized under the  
5 provisions of this chapter.

6 (4) "Certificate holder" means the holder of a certificate as a  
7 certified public accountant who has not become a licensee, has  
8 maintained CPE requirements, and who does not practice public  
9 accounting.

10 (5) "Certified public accountant" or "CPA" means a person holding  
11 a certified public accountant license or certificate.

12 (6) "Compilation" means providing a service to be performed in  
13 accordance with statements on standards for accounting and review  
14 services that is presenting in the form of financial statements,  
15 information that is the representation of management (owners) without  
16 undertaking to express any assurance on the statements.

17 (7) "CPE" means continuing professional education.

18 (8) "Firm" means a sole proprietorship, a corporation, or a  
19 partnership. "Firm" also means a limited liability company formed  
20 under chapter 25.15 RCW.

21 (9) "Holding out" means any representation to the public by the  
22 use of restricted titles as set forth in RCW 18.04.345 by a person or  
23 firm that the person or firm holds a license under this chapter and  
24 that the person or firm offers to perform any professional services  
25 to the public as a licensee. "Holding out" shall not affect or limit  
26 a person or firm not required to hold a license under this chapter  
27 from engaging in practices identified in RCW 18.04.350.

28 ~~(10) ("Home office" is the location specified by the client as  
29 the address to which a service is directed.~~

30 ~~(11))~~ "Inactive" means the certificate is in an inactive status  
31 because a person who held a valid certificate before July 1, 2001,  
32 has not met the current requirements of licensure and has been  
33 granted inactive certificate holder status through an approval  
34 process established by the board.

35 ~~((12))~~ (11) "Individual" means a living, human being.

36 ~~((13))~~ (12) "License" means a license to practice public  
37 accountancy issued to an individual under this chapter, or a license  
38 issued to a firm under this chapter.

39 ~~((14))~~ (13) "Licensee" means the holder of a license to  
40 practice public accountancy issued under this chapter.

1        ~~((15))~~ (14) "Manager" means a manager of a limited liability  
2 company licensed as a firm under this chapter.

3        ~~((16))~~ (15) "NASBA" means the national association of state  
4 boards of accountancy.

5        ~~((17))~~ (16) "Peer review" means a study, appraisal, or review  
6 of one or more aspects of the attest or compilation work of a  
7 licensee or licensed firm in the practice of public accountancy, by a  
8 person or persons who hold licenses and who are not affiliated with  
9 the person or firm being reviewed, including a peer review, or any  
10 internal review or inspection intended to comply with quality control  
11 policies and procedures, but not including the "quality assurance  
12 review" under subsection ~~((21))~~ (20) of this section.

13        ~~((18))~~ (17) "Person" means any individual, nongovernmental  
14 organization, or business entity regardless of legal form, including  
15 a sole proprietorship, firm, partnership, corporation, limited  
16 liability company, association, or not-for-profit organization, and  
17 including the sole proprietor, partners, members, and, as applied to  
18 corporations, the officers.

19        ~~((19))~~ (18) "Practice of public accounting" means performing or  
20 offering to perform by a person or firm holding itself out to the  
21 public as a licensee, for a client or potential client, one or more  
22 kinds of services involving the use of accounting or auditing skills,  
23 including the issuance of "~~(audit)~~ reports," ("~~review reports,~~" or  
24 "~~compilation reports~~" on financial statements,) or one or more kinds  
25 of management advisory, or consulting services, or the preparation of  
26 tax returns, or the furnishing of advice on tax matters. "Practice of  
27 public accounting" shall not include practices that are permitted  
28 under the provisions of RCW 18.04.350(10) by persons or firms not  
29 required to be licensed under this chapter.

30        ~~((20))~~ (19) "Principal place of business" means the office  
31 location designated by the licensee for purposes of substantial  
32 equivalency and reciprocity.

33        ~~((21))~~ (20) "Quality assurance review" means a process  
34 established by and conducted at the direction of the board of study,  
35 appraisal, or review of one or more aspects of the attest or  
36 compilation work of a licensee or licensed firm in the practice of  
37 public accountancy, by a person or persons who hold licenses and who  
38 are not affiliated with the person or firm being reviewed.

39        ~~((22))~~ "~~Reports on financial statements~~" means any reports or  
40 opinions prepared by licensees or persons holding practice privileges

1 under substantial equivalency, based on services performed in  
2 accordance with generally accepted auditing standards, standards for  
3 attestation engagements, or standards for accounting and review  
4 services as to whether the presentation of information used for  
5 guidance in financial transactions or for accounting for or assessing  
6 the status or performance of commercial and noncommercial  
7 enterprises, whether public, private, or governmental, conforms with  
8 generally accepted accounting principles or another comprehensive  
9 basis of accounting. "Reports on financial statements" does not  
10 include services referenced in RCW 18.04.350(10) provided by persons  
11 not holding a license under this chapter.

12 ~~(23))~~ (21) "Report," when used with reference to any attest or  
13 compilation service, means an opinion, report, or other form of  
14 language that states or implies assurance as to the reliability of  
15 the attested information or compiled financial statements and that  
16 also includes or is accompanied by any statement or implication that  
17 the person or firm issuing it has special knowledge or competence in  
18 the practice of public accounting. Such a statement or implication of  
19 special knowledge or competence may arise from use by the issuer of  
20 the report of names or titles indicating that the person or firm is  
21 involved in the practice of public accounting, or from the language  
22 of the report itself. "Report" includes any form of language which  
23 disclaims an opinion when such form of language is conventionally  
24 understood to imply any positive assurance as to the reliability of  
25 the attested information or compiled financial statements referred to  
26 and/or special competence on the part of the person or firm issuing  
27 such language; and it includes any other form of language that is  
28 conventionally understood to imply such assurance and/or such special  
29 knowledge or competence. "Report" does not include services  
30 referenced in RCW 18.04.350 (10) or (11) provided by persons not  
31 holding a license under this chapter as provided in RCW  
32 18.04.350(14).

33 (22) "Review committee" means any person carrying out,  
34 administering or overseeing a peer review authorized by the reviewee.

35 ~~((24))~~ (23) "Rule" means any rule adopted by the board under  
36 authority of this chapter.

37 ~~((25))~~ (24) "Sole proprietorship" means a legal form of  
38 organization owned by one person meeting the requirements of RCW  
39 18.04.195.

1       (~~(26)~~) (25) "State" includes the states of the United States,  
2 the District of Columbia, Puerto Rico, Guam, the United States Virgin  
3 Islands, and the Commonwealth of the Northern Mariana Islands at such  
4 time as the board determines that the Commonwealth of the Northern  
5 Mariana Islands is issuing licenses under the substantially  
6 equivalent standards in RCW 18.04.350(2)(a).

7       **Sec. 2.** RCW 18.04.055 and 2001 c 294 s 5 are each amended to  
8 read as follows:

9       The board may adopt and amend rules under chapter 34.05 RCW for  
10 the orderly conduct of its affairs. The board shall prescribe rules  
11 consistent with this chapter as necessary to implement this chapter.  
12 Included may be:

13       (1) Rules of procedure to govern the conduct of matters before  
14 the board;

15       (2) Rules of professional conduct for all licensees, certificate  
16 holders, and nonlicensee owners of licensed firms, in order to  
17 establish and maintain high standards of competence and ethics  
18 including rules dealing with independence, integrity, objectivity,  
19 and freedom from conflicts of interest;

20       (3) Rules specifying actions and circumstances deemed to  
21 constitute holding oneself out as a licensee in connection with the  
22 practice of public accountancy;

23       (4) Rules specifying the manner and circumstances of the use of  
24 the titles "certified public accountant" and "CPA," by holders of  
25 certificates who do not also hold licenses under this chapter;

26       (5) Rules specifying the educational requirements to take the  
27 certified public accountant examination;

28       (6) Rules designed to ensure that licensees' "reports (~~on~~  
29 ~~financial statements~~)" meet the definitional requirements for that  
30 term as specified in RCW 18.04.025;

31       (7) Requirements for CPE to maintain or improve the professional  
32 competence of licensees as a condition to maintaining their license  
33 and certificate holders as a condition to maintaining their  
34 certificate under RCW 18.04.215;

35       (8) Rules governing firms issuing or offering to issue reports  
36 (~~on financial statements or~~) using the title "certified public  
37 accountant" or "CPA" including, but not limited to, rules concerning  
38 their style, name, title, and affiliation with any other

1 organization, and establishing reasonable practice and ethical  
2 standards to protect the public interest;

3 (9) The board may by rule implement a quality assurance review  
4 program as a means to monitor licensees' quality of practice and  
5 compliance with professional standards. The board may exempt from  
6 such program, licensees who undergo periodic peer reviews in programs  
7 of the American Institute of Certified Public Accountants, NASBA, or  
8 other programs recognized and approved by the board;

9 (10) The board may by rule require licensed firms to obtain  
10 professional liability insurance if in the board's discretion such  
11 insurance provides additional and necessary protection for the  
12 public;

13 (11) Rules specifying the experience requirements in order to  
14 qualify for a license;

15 (12) Rules specifying the requirements for certificate holders to  
16 qualify for a license under this chapter which must include  
17 provisions for meeting CPE and experience requirements prior to  
18 application for licensure;

19 (13) Rules specifying the registration requirements, including  
20 ethics examination and fee requirements, for resident nonlicensee  
21 partners, shareholders, and managers of licensed firms;

22 (14) Rules specifying the ethics CPE requirements for certificate  
23 holders and owners of licensed firms, including the process for  
24 reporting compliance with those requirements;

25 (15) Rules specifying the experience and CPE requirements for  
26 licensees offering or issuing reports (~~(on financial statements)~~);  
27 and

28 (16) Any other rule which the board finds necessary or  
29 appropriate to implement this chapter.

30 **Sec. 3.** RCW 18.04.105 and 2004 c 159 s 2 are each amended to  
31 read as follows:

32 (1) A license to practice public accounting shall be granted by  
33 the board to any person:

34 (a) Who is of good character. Good character, for purposes of  
35 this section, means lack of a history of dishonest or felonious acts.  
36 The board may refuse to grant a license on the ground of failure to  
37 satisfy this requirement only if there is a substantial connection  
38 between the lack of good character of the applicant and the  
39 professional and ethical responsibilities of a licensee and if the

1 finding by the board of lack of good character is supported by a  
2 preponderance of evidence. When an applicant is found to be  
3 unqualified for a license because of a lack of good character, the  
4 board shall furnish the applicant a statement containing the findings  
5 of the board and a notice of the applicant's right of appeal;

6 (b) Who has met the educational standards established by rule as  
7 the board determines to be appropriate;

8 (c) Who has passed an examination;

9 (d) Who has had one year of experience which is gained:

10 (i) Through the use of accounting, issuing reports (~~on financial~~  
11 ~~statements~~)), management advisory, financial advisory, tax, tax  
12 advisory, or consulting skills;

13 (ii) While employed in government, industry, academia, or public  
14 practice; and

15 (iii) Meeting the competency requirements in a manner as  
16 determined by the board to be appropriate and established by board  
17 rule; and

18 (e) Who has paid appropriate fees as established by rule by the  
19 board.

20 (2) The examination described in subsection (1)(c) of this  
21 section shall test the applicant's knowledge of the subjects of  
22 accounting and auditing, and other related fields the board may  
23 specify by rule. The time for holding the examination is fixed by the  
24 board and may be changed from time to time. The board shall prescribe  
25 by rule the methods of applying for and taking the examination,  
26 including methods for grading examinations and determining a passing  
27 grade required of an applicant for a license. The board shall to the  
28 extent possible see to it that the grading of the examination, and  
29 the passing grades, are uniform with those applicable to all other  
30 states. The board may make use of all or a part of the uniform  
31 certified public accountant examination and advisory grading service  
32 of the American Institute of Certified Public Accountants and may  
33 contract with third parties to perform administrative services with  
34 respect to the examination as the board deems appropriate to assist  
35 it in performing its duties under this chapter. The board shall  
36 establish by rule provisions for transitioning to a new examination  
37 structure or to a new media for administering the examination.

38 (3) The board shall charge each applicant an examination fee for  
39 the initial examination or for reexamination. The applicable fee  
40 shall be paid by the person at the time he or she applies for

1 examination, reexamination, or evaluation of educational  
2 qualifications. Fees for examination, reexamination, or evaluation of  
3 educational qualifications shall be determined by the board under  
4 chapter 18.04 RCW. There is established in the state treasury an  
5 account to be known as the certified public accountants' account. All  
6 fees received from candidates to take any or all sections of the  
7 certified public accountant examination shall be used only for costs  
8 related to the examination.

9 (4) Persons who on June 30, 2001, held valid certificates  
10 previously issued under this chapter shall be deemed to be  
11 certificate holders, subject to the following:

12 (a) Certificate holders may, prior to June 30, 2006, petition the  
13 board to become licensees by documenting to the board that they have  
14 gained one year of experience through the use of accounting, issuing  
15 reports (~~(on financial statements)~~), management advisory, financial  
16 advisory, tax, tax advisory, or consulting skills, without regard to  
17 the eight-year limitation set forth in (b) of this subsection, while  
18 employed in government, industry, academia, or public practice.

19 (b) Certificate holders who do not petition to become licensees  
20 prior to June 30, 2006, may after that date petition the board to  
21 become licensees by documenting to the board that they have one year  
22 of experience acquired within eight years prior to applying for a  
23 license through the use of accounting, issuing reports (~~(on financial~~  
24 ~~statements)~~), management advisory, financial advisory, tax, tax  
25 advisory, or consulting skills in government, industry, academia, or  
26 public practice.

27 (c) Certificate holders who petition the board pursuant to (a) or  
28 (b) of this subsection must also meet competency requirements in a  
29 manner as determined by the board to be appropriate and established  
30 by board rule.

31 (d) Any certificate holder petitioning the board pursuant to (a)  
32 or (b) of this subsection to become a licensee must submit to the  
33 board satisfactory proof of having completed an accumulation of one  
34 hundred twenty hours of CPE during the thirty-six months preceding  
35 the date of filing the petition.

36 (e) Any certificate holder petitioning the board pursuant to (a)  
37 or (b) of this subsection to become a licensee must pay the  
38 appropriate fees established by rule by the board.

39 (5) Certificate holders shall comply with the prohibition against  
40 the practice of public accounting in RCW 18.04.345.



1 (6) Persons who on June 30, 2001, held valid certificates  
2 previously issued under this chapter are deemed to hold inactive  
3 certificates, subject to renewal as inactive certificates, until they  
4 have petitioned the board to become licensees and have met the  
5 requirements of subsection (4) of this section. No individual who did  
6 not hold a valid certificate before July 1, 2001, is eligible to  
7 obtain an inactive certificate.

8 (7) Persons deemed to hold inactive certificates under subsection  
9 (6) of this section shall comply with the prohibition against the  
10 practice of public accounting in subsection (8)(b) of this section  
11 and RCW 18.04.345, but are not required to display the term inactive  
12 as part of their title, as required by subsection (8)(a) of this  
13 section until renewal. Certificates renewed to any persons after June  
14 30, 2001, are inactive certificates and the inactive certificate  
15 holders are subject to the requirements of subsection (8) of this  
16 section.

17 (8) Persons holding an inactive certificate:

18 (a) Must use or attach the term "inactive" whenever using the  
19 title CPA or certified public accountant or referring to the  
20 certificate, and print the word "inactive" immediately following the  
21 title, whenever the title is printed on a business card, letterhead,  
22 or any other document, including documents published or transmitted  
23 through electronic media, in the same font and font size as the  
24 title; and

25 (b) Are prohibited from practicing public accounting.

26 **Sec. 4.** RCW 18.04.195 and 2008 c 16 s 3 are each amended to read  
27 as follows:

28 (1) The board shall grant or renew licenses to practice as a CPA  
29 firm to applicants that demonstrate their qualifications therefore in  
30 accordance with this section.

31 (a) The following must hold a license issued under this section:

32 (i) Any firm with an office in this state performing attest  
33 services as defined in RCW 18.04.025(1) or compilations as defined in  
34 RCW 18.04.025(6);

35 (ii) Any firm with an office in this state that uses the title  
36 "CPA" or "CPA firm"; or

37 (iii) Any firm that does not have an office in this state but  
38 (~~performs~~) offers or renders attest services described in RCW

1 18.04.025(~~((1) (a), (c), or (d) for a client having its home office))~~  
2 in this state, unless it meets each of the following requirements:  
3 (A) Complies with the qualifications described in subsection  
4 (3)(c), (4)(a), or (5)(c) of this section;  
5 (B) Meets the board's quality assurance review program  
6 requirements authorized by RCW 18.04.055(9) and the rules  
7 implementing such section;  
8 (C) Performs such services through an individual with practice  
9 privileges under RCW 18.04.350(2); and  
10 (D) Can lawfully do so in the state where said individuals with  
11 practice privileges have their principal place of business.  
12 (b) A firm that is not subject to the requirements of subsection  
13 (1)(a)(~~(iii)~~) of this section may perform compilation services  
14 described in RCW 18.04.025(6) and other nonattest professional  
15 services while using the title "CPA" or "CPA firm" in this state  
16 without a license issued under this section only if:  
17 (i) The firm performs such services through an individual with  
18 practice privileges under RCW 18.04.350(2); and  
19 (ii) The firm can lawfully do so in the state where said  
20 individuals with practice privileges have their principal place of  
21 business(~~(; and~~  
22 ~~(iii) A firm performing services described in RCW 18.04.025~~  
23 ~~(1)(b) and (6) meets the board's quality assurance [review] program~~  
24 ~~requirements authorized by RCW 18.04.055(9) and the rules~~  
25 ~~implementing that section)).~~  
26 (2) A sole proprietorship required to obtain a license under  
27 subsection (1) of this section shall license, as a firm, every three  
28 years with the board.  
29 (a) The sole proprietor shall hold and renew a license to  
30 practice under RCW 18.04.105 and 18.04.215, or, in the case of a sole  
31 proprietorship that must obtain a license pursuant to subsection  
32 (1)(a)(iii) of this section, be a licensee of another state who meets  
33 the requirements in RCW 18.04.350(2);  
34 (b) Each resident individual in charge of an office located in  
35 this state shall hold and renew a license to practice under RCW  
36 18.04.105 and 18.04.215; and  
37 (c) The licensed firm must meet ~~((competency))~~ requirements  
38 established by rule by the board.

1 (3) A partnership required to obtain a license under subsection  
2 (1) of this section shall license as a firm every three years with  
3 the board, and shall meet the following requirements:

4 (a) At least one general partner of the partnership shall hold  
5 and renew a license to practice under RCW 18.04.105 and 18.04.215,  
6 or, in the case of a partnership that must obtain a license pursuant  
7 to subsection (1)(a)(iii) of this section, be a licensee of another  
8 state who meets the requirements in RCW 18.04.350(2);

9 (b) Each resident individual in charge of an office in this state  
10 shall hold and renew a license to practice under RCW 18.04.105 and  
11 18.04.215;

12 (c) At least a simple majority of the ownership of the licensed  
13 firm in terms of financial interests and voting rights of all  
14 partners or owners shall be held by persons who are licensees or  
15 holders of a valid license issued under this chapter or by another  
16 state. The principal partner of the partnership and any partner  
17 having authority over issuing reports (~~(on financial statements)~~)  
18 shall hold a license under this chapter or issued by another state;  
19 and

20 (d) The licensed firm must meet (~~(competency)~~) requirements  
21 established by rule by the board.

22 (4) A corporation required to obtain a license under subsection  
23 (1) of this section shall license as a firm every three years with  
24 the board and shall meet the following requirements:

25 (a) At least a simple majority of the ownership of the licensed  
26 firm in terms of financial interests and voting rights of all  
27 shareholders or owners shall be held by persons who are licensees or  
28 holders of a valid license issued under this chapter or by another  
29 state and is principally employed by the corporation or actively  
30 engaged in its business. The principal officer of the corporation and  
31 any officer or director having authority over issuing reports (~~(on~~  
32 ~~financial statements)~~) shall hold a license under this chapter or  
33 issued by another state;

34 (b) At least one shareholder of the corporation shall hold a  
35 license under RCW 18.04.105 and 18.04.215, or, in the case of a  
36 corporation that must obtain a license pursuant to subsection  
37 (1)(a)(iii) of this section, be a licensee of another state who meets  
38 the requirements in RCW 18.04.350(2);

1 (c) Each resident individual in charge of an office located in  
2 this state shall hold and renew a license under RCW 18.04.105 and  
3 18.04.215;

4 (d) A written agreement shall bind the corporation or its  
5 shareholders to purchase any shares offered for sale by, or not under  
6 the ownership or effective control of, a qualified shareholder, and  
7 bind any holder not a qualified shareholder to sell the shares to the  
8 corporation or its qualified shareholders. The agreement shall be  
9 noted on each certificate of corporate stock. The corporation may  
10 purchase any amount of its stock for this purpose, notwithstanding  
11 any impairment of capital, as long as one share remains outstanding;

12 (e) The corporation shall comply with any other rules pertaining  
13 to corporations practicing public accounting in this state as the  
14 board may prescribe; and

15 (f) The licensed firm must meet (~~competency~~) requirements  
16 established by rule by the board.

17 (5) A limited liability company required to obtain a license  
18 under subsection (1) of this section shall license as a firm every  
19 three years with the board, and shall meet the following  
20 requirements:

21 (a) At least one member of the limited liability company shall  
22 hold a license under RCW 18.04.105 and 18.04.215, or, in the case of  
23 a limited liability company that must obtain a license pursuant to  
24 subsection (1)(a)(iii) of this section, be a licensee of another  
25 state who meets the requirements in RCW 18.04.350(2);

26 (b) Each resident manager or member in charge of an office  
27 located in this state shall hold and renew a license under RCW  
28 18.04.105 and 18.04.215;

29 (c) At least a simple majority of the ownership of the licensed  
30 firm in terms of financial interests and voting rights of all owners  
31 shall be held by persons who are licensees or holders of a valid  
32 license issued under this chapter or by another state. The principal  
33 member or manager of the limited liability company and any member  
34 having authority over issuing reports (~~on financial statements~~)  
35 shall hold a license under this chapter or issued by another state;  
36 and

37 (d) The licensed firm must meet (~~competency~~) requirements  
38 established by rule by the board.

39 (6) Application for a license as a firm with an office in this  
40 state shall be made upon the affidavit of the proprietor or

1 individual designated as managing partner, member, or shareholder for  
2 Washington. This individual shall hold a license under RCW 18.04.215.

3 (7) In the case of a firm licensed in another state and required  
4 to obtain a license under subsection (1)(a)(iii) of this section, the  
5 application for the firm license shall be made upon the affidavit of  
6 an individual who qualifies for practice privileges in this state  
7 under RCW 18.04.350(2) who has been authorized by the applicant firm  
8 to make the application. The board shall determine in each case  
9 whether the applicant is eligible for a license.

10 (8) The board shall be given notification within ninety days  
11 after the admission or withdrawal of a partner, shareholder, or  
12 member engaged in this state in the practice of public accounting  
13 from any partnership, corporation, or limited liability company so  
14 licensed.

15 (9) Licensed firms that fall out of compliance with the  
16 provisions of this section due to changes in firm ownership, after  
17 receiving or renewing a license, shall notify the board in writing  
18 within ninety days of its falling out of compliance and propose a  
19 time period in which they will come back into compliance. The board  
20 may grant a reasonable period of time for a firm to be in compliance  
21 with the provisions of this section. Failure to bring the firm into  
22 compliance within a reasonable period of time, as determined by the  
23 board, may result in suspension, revocation, or imposition of  
24 conditions on the firm's license.

25 (10) Fees for the license as a firm and for notification of the  
26 board of the admission or withdrawal of a partner, shareholder, or  
27 member shall be determined by the board. Fees shall be paid by the  
28 firm at the time the license application form or notice of admission  
29 or withdrawal of a partner, shareholder, or member is filed with the  
30 board.

31 (11) Nonlicensee owners of licensed firms are:

32 (a) Required to fully comply with the provisions of this chapter  
33 and board rules;

34 (b) Required to be an individual;

35 (c) Required to be of good character, as defined in RCW  
36 18.04.105(1)(a), and an active individual participant in the licensed  
37 firm or affiliated entities as these terms are defined by board rule;  
38 and

39 (d) Subject to discipline by the board for violation of this  
40 chapter.

1 (12) Resident nonlicensee owners of licensed firms are required  
2 to meet:

3 (a) The ethics examination, registration, and fee requirements as  
4 established by the board rules; and

5 (b) The ethics CPE requirements established by the board rules.

6 (13)(a) Licensed firms must notify the board within thirty days  
7 after:

8 (i) Sanction, suspension, revocation, or modification of their  
9 professional license or practice rights by the securities exchange  
10 commission, internal revenue service, or another state board of  
11 accountancy;

12 (ii) Sanction or order against the licensee or nonlicensee firm  
13 owner by any federal or other state agency related to the licensee's  
14 practice of public accounting or violation of ethical or technical  
15 standards established by board rule; or

16 (iii) The licensed firm is notified that it has been charged with  
17 a violation of law that could result in the suspension or revocation  
18 of the firm's license by a federal or other state agency, as  
19 identified by board rule, related to the firm's professional license,  
20 practice rights, or violation of ethical or technical standards  
21 established by board rule.

22 (b) The board must adopt rules to implement this subsection and  
23 may also adopt rules specifying requirements for licensees to report  
24 to the board sanctions or orders relating to the licensee's practice  
25 of public accounting or violation of ethical or technical standards  
26 entered against the licensee by a nongovernmental professionally  
27 related standard-setting entity.

28 **Sec. 5.** RCW 18.04.345 and 2009 c 116 s 1 are each amended to  
29 read as follows:

30 (1) No individual may assume or use the designation "certified  
31 public accountant-inactive" or "CPA-inactive" or any other title,  
32 designation, words, letters, abbreviation, sign, card, or device  
33 tending to indicate that the individual is a certified public  
34 accountant-inactive or CPA-inactive unless the individual holds a  
35 certificate. Individuals holding only a certificate may not practice  
36 public accounting.

37 (2) No individual may hold himself or herself out to the public  
38 or assume or use the designation "certified public accountant" or  
39 "CPA" or any other title, designation, words, letters, abbreviation,

1 sign, card, or device tending to indicate that the individual is a  
2 certified public accountant or CPA unless the individual qualifies  
3 for the privileges authorized by RCW 18.04.350(2) or holds a license  
4 under RCW 18.04.105 and 18.04.215.

5 (3) No firm with an office in this state may perform or offer to  
6 perform attest services as defined in RCW 18.04.025(1) or compilation  
7 services as defined in RCW 18.04.025(6) or assume or use the  
8 designation "certified public accountant" or "CPA" or any other  
9 title, designation, words, letters, abbreviation, sign, card, or  
10 device tending to indicate that the firm is composed of certified  
11 public accountants or CPAs, unless the firm is licensed under RCW  
12 18.04.195 and all offices of the firm in this state are maintained  
13 and registered under RCW 18.04.205. This subsection does not limit  
14 the services permitted under RCW 18.04.350(10) by persons not  
15 required to be licensed under this chapter.

16 (4) No firm may perform the services defined in RCW 18.04.025(1)  
17 (~~((a), (c), or (d) for a client with its home office))~~) in this state  
18 unless the firm is licensed under RCW 18.04.195, renews the firm  
19 license as required under RCW 18.04.215, and all offices of the firm  
20 in this state are maintained and registered under RCW 18.04.205.

21 (5) No individual, partnership, limited liability company, or  
22 corporation offering public accounting services to the public may  
23 hold himself, herself, or itself out to the public, or assume or use  
24 along, or in connection with his, hers, or its name, or any other  
25 name the title or designation "certified accountant," "chartered  
26 accountant," "licensed accountant," "licensed public accountant,"  
27 "public accountant," or any other title or designation likely to be  
28 confused with "certified public accountant" or any of the  
29 abbreviations "CA," "LA," "LPA," or "PA," or similar abbreviations  
30 likely to be confused with "CPA."

31 (6) No licensed firm may operate under an alias, a firm name,  
32 title, or "DBA" that differs from the firm name that is registered  
33 with the board.

34 (7) No individual with an office in this state may sign, affix,  
35 or associate his or her name or any trade or assumed name used by the  
36 individual in his or her business to any report prescribed by  
37 professional standards unless the individual holds a license to  
38 practice under RCW 18.04.105 and 18.04.215, a firm holds a license  
39 under RCW 18.04.195, and all of the individual's offices in this  
40 state are registered under RCW 18.04.205.

1 (8) No individual licensed in another state may sign, affix, or  
2 associate a firm name to any report prescribed by professional  
3 standards, or associate a firm name in conjunction with the title  
4 certified public accountant, unless the individual:

5 (a) Qualifies for the practice privileges authorized by RCW  
6 18.04.350(2); or

7 (b) Is licensed under RCW 18.04.105 and 18.04.215, and all of the  
8 individual's offices in this state are maintained and registered  
9 under RCW 18.04.205.

10 (9) No individual, partnership, limited liability company, or  
11 corporation not holding a license to practice under RCW 18.04.105 and  
12 18.04.215, or firm not licensed under RCW 18.04.195 or firm not  
13 registering all of the firm's offices in this state under RCW  
14 18.04.205, or not qualified for the practice privileges authorized by  
15 RCW 18.04.350(2), may hold himself, herself, or itself out to the  
16 public as an "auditor" with or without any other description or  
17 designation by use of such word on any sign, card, letterhead, or in  
18 any advertisement or directory.

19 (10) For purposes of this section, because individuals practicing  
20 using practice privileges under RCW 18.04.350(2) are deemed  
21 substantially equivalent to licensees under RCW 18.04.105 and  
22 18.04.215, every word, term, or reference that includes the latter  
23 shall be deemed to include the former, provided the conditions of  
24 such practice privilege, as set forth in RCW 18.04.350 (4) and (5)  
25 are maintained.

26 (11) Notwithstanding anything to the contrary in this section, it  
27 is not a violation of this section for a firm that does not hold a  
28 valid license under RCW 18.04.195 and that does not have an office in  
29 this state to use the title "CPA" or "certified public accountant" as  
30 part of the firm's name and to provide its professional services in  
31 this state, and licensees and individuals with practice privileges  
32 may provide services on behalf of such firms so long as it complies  
33 with the requirements of RCW 18.04.195(1)((~~b~~)). An individual or  
34 firm authorized under this subsection to use practice privileges in  
35 this state must comply with the requirements otherwise applicable to  
36 licensees in this section.

37 **Sec. 6.** RCW 18.04.205 and 2008 c 16 s 4 are each amended to read  
38 as follows:



1 (1) Each office established or maintained in this state for the  
2 purpose of offering to issue or issuing (~~attest or compilation~~)  
3 reports in this state or that uses the title "certified public  
4 accountant" or "CPA," shall register with the board under this  
5 chapter every three years.

6 (2) Each office established or maintained in this state shall be  
7 under the direct supervision of a resident licensee holding a license  
8 under RCW 18.04.105 and 18.04.215.

9 (3) The board shall by rule prescribe the procedure to be  
10 followed to register and maintain offices established in this state  
11 for the purpose of offering to issue or issuing attest or compilation  
12 reports or that use the title "certified public accountant" or "CPA."

13 (4) Fees for the registration of offices shall be determined by  
14 the board. Fees shall be paid by the applicant at the time the  
15 registration form is filed with the board.

16 **Sec. 7.** RCW 18.04.350 and 2008 c 16 s 6 are each amended to read  
17 as follows:

18 (1) Nothing in this chapter prohibits any individual not holding  
19 a license and not qualified for the practice privileges authorized by  
20 subsection (2) of this section from serving as an employee of a firm  
21 licensed under RCW 18.04.195 and 18.04.215. However, the employee  
22 shall not issue any (~~compilation, review, audit, or examination~~)  
23 report (~~on financial or other information~~) as defined in this  
24 chapter, on the information of any other persons, firms, or  
25 governmental units over his or her name.

26 (2) An individual whose principal place of business is not in  
27 this state shall be presumed to have qualifications substantially  
28 equivalent to this state's requirements and shall have all the  
29 privileges of licensees of this state without the need to obtain a  
30 license under RCW 18.04.105 if the individual:

31 (a) Holds a valid license as a certified public accountant from  
32 any state that requires, as a condition of licensure, that an  
33 individual:

34 (i) Have at least one hundred fifty semester hours of college or  
35 university education including a baccalaureate or higher degree  
36 conferred by a college or university;

37 (ii) Achieve a passing grade on the uniform certified public  
38 accountant examination; and

1 (iii) Possess at least one year of experience including service  
2 or advice involving the use of accounting, attest, compilation,  
3 management advisory, financial advisory, tax, or consulting skills,  
4 all of which was verified by a licensee; or

5 (b) Holds a valid license as a certified public accountant from  
6 any state that does not meet the requirements of (a) of this  
7 subsection, but such individual's qualifications are substantially  
8 equivalent to those requirements. Any individual who passed the  
9 uniform certified public accountant examination and holds a valid  
10 license issued by any other state prior to January 1, 2012, may be  
11 exempt from the education requirements in (a)(i) of this subsection  
12 for purposes of this section.

13 (3) Notwithstanding any other provision of law, an individual who  
14 qualifies for the practice privilege under subsection (2) of this  
15 section may offer or render professional services, whether in person  
16 or by mail, telephone, or electronic means, and no notice, fee, or  
17 other submission shall be provided by any such individual. Such an  
18 individual shall be subject to the requirements of subsection (4) of  
19 this section.

20 (4) Any individual licensee of another state exercising the  
21 privilege afforded under subsection (2) of this section and the firm  
22 that employs that licensee simultaneously consent, as a condition of  
23 exercising this privilege:

24 (a) To the personal and subject matter jurisdiction and  
25 disciplinary authority of the board;

26 (b) To comply with this chapter and the board's rules;

27 (c) That in the event the license from the state of the  
28 individual's principal place of business is no longer valid, the  
29 individual will cease offering or rendering professional services in  
30 this state individually and on behalf of a firm; and

31 (d) To the appointment of the state board which issued the  
32 certificate or license as their agent upon whom process may be served  
33 in any action or proceeding by this state's board against the  
34 certificate holder or licensee.

35 (5) An individual who qualifies for practice privileges under  
36 subsection (2) of this section (~~may, for any entity with its home~~  
37 ~~office in this state, perform the following services only through a~~  
38 ~~firm that has obtained a license under RCW 18.04.195 and 18.04.215:~~

39 ~~(a) Any financial statement audit or other engagement to be~~  
40 ~~performed in accordance with statements on auditing standards;~~

1       ~~(b) Any examination of prospective financial information to be~~  
2 ~~performed in accordance with statements on standards for attestation~~  
3 ~~engagements; or~~

4       ~~(c) Any engagement to be performed in accordance with public~~  
5 ~~company accounting oversight board auditing standards)) who performs~~  
6 ~~any attest service described in RCW 18.04.025(1) may only do so~~  
7 ~~through a firm which has obtained a license under RCW 18.04.195 and~~  
8 ~~18.04.215 or which meets the requirements for an exception from the~~  
9 ~~firm licensure requirements under RCW 18.04.195(1) (a)(iii) or (b).~~

10       (6) A licensee of this state offering or rendering services or  
11 using their CPA title in another state shall be subject to  
12 disciplinary action in this state for an act committed in another  
13 state for which the licensee would be subject to discipline for an  
14 act committed in the other state. Notwithstanding RCW 18.04.295 and  
15 this section, the board shall cooperate with and investigate any  
16 complaint made by the board of accountancy of another state or  
17 jurisdiction.

18       (7) Nothing in this chapter prohibits a licensee, a licensed  
19 firm, any of their employees, or persons qualifying for practice  
20 privileges by this section from disclosing any data in confidence to  
21 other certified public accountants, quality assurance or peer review  
22 teams, partnerships, limited liability companies, or corporations of  
23 certified public accountants or to the board or any of its employees  
24 engaged in conducting quality assurance or peer reviews, or any one  
25 of their employees in connection with quality or peer reviews of that  
26 accountant's accounting and auditing practice conducted under the  
27 auspices of recognized professional associations.

28       (8) Nothing in this chapter prohibits a licensee, a licensed  
29 firm, any of their employees, or persons qualifying for practice  
30 privileges by this section from disclosing any data in confidence to  
31 any employee, representative, officer, or committee member of a  
32 recognized professional association, or to the board, or any of its  
33 employees or committees in connection with a professional  
34 investigation held under the auspices of recognized professional  
35 associations or the board.

36       (9) Nothing in this chapter prohibits any officer, employee,  
37 partner, or principal of any organization:

38       (a) From affixing his or her signature to any statement or report  
39 in reference to the affairs of the organization with any wording

1 designating the position, title, or office which he or she holds in  
2 the organization; or

3 (b) From describing himself or herself by the position, title, or  
4 office he or she holds in such organization.

5 (10) Nothing in this chapter prohibits any person or firm  
6 composed of persons not holding a license under this chapter from  
7 offering or rendering to the public bookkeeping, accounting, tax  
8 services, the devising and installing of financial information  
9 systems, management advisory, or consulting services, the preparation  
10 of tax returns, or the furnishing of advice on tax matters, (~~the~~  
11 ~~preparation of financial statements, written statements describing~~  
12 ~~how such financial statements were prepared,~~) or similar services,  
13 provided that persons, partnerships, limited liability companies, or  
14 corporations not holding a license who offer or render these services  
15 do not designate any written statement as (~~an "audit report,"~~  
16 ~~"review report," or "compilation report,"~~ do not issue any written  
17 ~~statement which purports to express or disclaim an opinion on~~  
18 ~~financial statements which have been audited, and do not issue any~~  
19 ~~written statement which expresses assurance on financial statements~~  
20 ~~which have been reviewed~~) a report as defined in RCW 18.04.025(21)  
21 or use any language in any statement relating to the financial  
22 affairs of a person or entity which is conventionally used by  
23 licensees in reports or any attest service as defined in this  
24 chapter.

25 (11) Nothing in this chapter prohibits any person or firm  
26 composed of persons not holding a license under this chapter from  
27 offering or rendering to the public the preparation of financial  
28 statements, or written statements describing how such financial  
29 statements were prepared, provided that persons, partnerships,  
30 limited liability companies, or corporations not holding a license  
31 who offer or render these services do not designate any written  
32 statement as a report as defined in RCW 18.04.025(21) and do not  
33 issue any written statement which purports to express or disclaim an  
34 opinion on financial statements which have been audited, and do not  
35 issue any written statement which expresses assurance on financial  
36 statements which have been reviewed. The board may prescribe, by  
37 rule, language for the written statement describing how such  
38 financial statements were prepared for use by persons not holding a  
39 license under this chapter.

1        (12) Nothing in this chapter prohibits any act of or the use of  
2 any words by a public official or a public employee in the  
3 performance of his or her duties.

4        (~~(12)~~) (13) Nothing contained in this chapter prohibits any  
5 person who holds only a valid certificate from assuming or using the  
6 designation "certified public accountant-inactive" or "CPA-inactive"  
7 or any other title, designation, words, letters, sign, card, or  
8 device tending to indicate the person is a certificate holder,  
9 provided, that such person does not perform or offer to perform for  
10 the public one or more kinds of services involving the use of  
11 accounting or auditing skills, including issuance of reports (~~on~~  
12 ~~financial—statements~~) or of one or more kinds of management  
13 advisory, financial advisory, consulting services, the preparation of  
14 tax returns, or the furnishing of advice on tax matters.

15        (~~(13)~~) (14) Nothing in this chapter prohibits the use of the  
16 title "accountant" by any person regardless of whether the person has  
17 been granted a certificate or holds a license under this chapter.  
18 Nothing in this chapter prohibits the use of the title "enrolled  
19 agent" or the designation "EA" by any person regardless of whether  
20 the person has been granted a certificate or holds a license under  
21 this chapter if the person is properly authorized at the time of use  
22 to use the title or designation by the United States department of  
23 the treasury. The board shall by rule allow the use of other titles  
24 by any person regardless of whether the person has been granted a  
25 certificate or holds a license under this chapter if the person using  
26 the titles or designations is authorized at the time of use by a  
27 nationally recognized entity sanctioning the use of board authorized  
28 titles.

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