

# HOUSE BILL REPORT

## HB 1648

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**As Passed House:**

January 21, 2022

**Title:** An act relating to replacing an inactive certificate status with an inactive license designation.

**Brief Description:** Replacing an inactive certificate status with an inactive license designation.

**Sponsors:** Representatives Vick, Kirby and Dufault.

**Brief History:**

**Committee Activity:**

Consumer Protection & Business: 1/10/22, 1/12/22 [DP].

**Floor Activity:**

Passed House: 1/21/22, 98-0.

**Brief Summary of Bill**

- Discontinues certificate holder status for certified public accountants, beginning on July 1, 2024, and replaces it with the designation of licensee in inactive status.
- Provides that certificate holders must meet requirements to become active licensees by July 1, 2024, or automatically become inactive licensees.
- Establishes a definition for substantial equivalency as it relates to license holders from other jurisdictions.

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### HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

**Majority Report:** Do pass. Signed by 7 members: Representatives Kirby, Chair; Walen, Vice Chair; Vick, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Corry, Ryu and Santos.

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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 part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Michelle Rusk (786-7153)

**Background:**

The Board of Accountancy (Board) regulates the accounting profession and administers a licensing program for persons that engage in the practice of public accounting. The Public Accountancy Act (Act) governs the practice of accounting in Washington. Prior to July 1, 2001, the Board also issued certificates as a certified public accountant (CPA) to qualified applicants.

Certificates.

On June 30, 2001, individuals who held then-valid certificates were automatically deemed to hold inactive certificates. An inactive certificate is renewable every three years subject to continuing professional education (CPE) requirements but remains an inactive certificate until the certificate holder petitions the Board and becomes a licensee. A certificate holder is an individual who holds an inactive certificate as a CPA and has maintained CPE requirements but has not become a licensee and does not practice public accounting.

Licenses.

The Board issues licenses to individuals subject to satisfaction of certain requirements including education and examinations, professional experience, and competency requirements set by the Board. A certificate holder who petitions the Board to become a licensee is required to demonstrate completion of 120 hours of CPE in a prior 36-month period and document professional experience in a relevant sector. The Board also issues licenses to license holders with licenses issued by other states and countries when the license holder meets certain requirements, and the Board may consider requirements satisfied based on a standard of substantial equivalency, which is undefined.

**Summary of Bill:**

Inactive Licensee Status.

Beginning July 1, 2024, Board-issued certificates are not a recognized form of licensure. The Board must allow renewal of certificates until June 30, 2024, as an alternative license type indicating the holder passed the CPA examination but has not had their experience verified and is not fully licensed to practice public accounting. After June 30, 2024, a valid certificate will automatically convert to a CPA license in an inactive status.

To activate a license and become an active licensee, an individual must apply to the Board and meet requirements including documentation of professional experience and completion of 120 hours of CPE during the preceding 36 months. Individuals who apply before January 1, 2024, must demonstrate one year of professional experience in a relevant field within the prior eight years.

A licensee in good standing may also request to have the license placed on inactive status,

and all licensees on inactive status are prohibited from practicing public accounting and must comply with CPE requirements.

Individuals who do not hold a valid certificate on June 30, 2024, and who want to apply for a license, must apply as a new licensee and meet the requirements of initial licensure.

License Renewal.

The Board must adopt CPE rules for active or inactive licensees, providing that: (i) active licensees must verify 120 hours of CPE in the last 3-year period; and (ii) inactive licensees must verify completion of Board-approved ethics during the last 3-year period.

An individual holding a valid license in an inactive status may use the designation "certified public accountant-inactive" or "CPA-inactive."

Substantial Equivalency.

A license holder from another state or country may be deemed to have met requirements that are "substantially equivalent" when the Board determines that the education, examination, and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to or exceed Washington's statutory education, examination, and experience requirements or that an individual CPA's education, examination, and experience qualifications are comparable to or exceed Washington's statutory education, examination, and experience requirements. In ascertaining substantial equivalency, the Board must take into account the qualifications without regard to the sequence in which experience, education, or examination requirements were attained.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 8, 10, 15, and 17, which take effect on June 30, 2023.

**Staff Summary of Public Testimony:**

(In support) These changes clean up the existing RCWs and provide clarity to the public around the certified public accountant designation. The new status of "CPA-inactive" also provides a new status for active CPAs; instead of letting their license lapse, or retiring their license, active licensees can move to the inactive status. The inactive status makes Washington's licensing status more consistent with other states and increases mobility for CPAs, which is good for military families and those moving between other states. Immigrants may have to use a different term other than licensees, but there is a test to establish their qualifications.

The citizen members of the Board of Accountancy have not taken a formal position yet, as

they do not have their first meeting until January 28, 2022, but the Board staff fully support this change and anticipate the citizen members issuing a formal letter of support.

(Opposed) None.

**Persons Testifying:** Representative Brandon Vick, prime sponsor; Thomas Neill, Washington Society of Certified Public Accountants; and Dave Trujillo, Washington State Board of Accountancy.

**Persons Signed In To Testify But Not Testifying:** None.