

SENATE BILL REPORT

SB 5887

As Reported by Senate Committee On:
Business, Financial Services, Gaming & Trade, January 11, 2024

Title: An act relating to modifying the public accountancy act.

Brief Description: Modifying the public accountancy act.

Sponsors: Senators Stanford, Dozier, Conway and Mullet.

Brief History:

Committee Activity: Business, Financial Services, Gaming & Trade: 1/09/24, 1/11/24 [DP].

Brief Summary of Bill

- Updates and consolidates terms in the Public Accountancy Act.
- Removes statutory requirements regarding experience necessary for certified public accountant (CPA) licensure.
- Requires the Board of Accountancy to establish experience requirements for CPA licensure.
- Adds causes for potential license revocation or nonrenewal.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Majority Report: Do pass.

Signed by Senators Stanford, Chair; Frame, Vice Chair; Dozier, Ranking Member; Gildon, Hasegawa, Lovick, MacEwen and Mullet.

Staff: Kellee Gunn (786-7429)

Background: The Board of Accountancy (Board) regulates the accounting profession and

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administers a licensing program for individuals and firms that engage in the practice of public accounting. The Public Accountancy Act (Act) governs the practice of accounting in Washington.

The Board has the power to revoke, suspend, or refuse to renew or reinstate a license, or impose certain fines or conditions on any applicant, licensee, or licensed firm for fraud, criminal acts, and violation of the Act.

Certified Public Accountant and Firm Licenses in Washington State. To become a licensed Certified Public Accountant (CPA) in the state of Washington a person must:

- be of good character;
- meet educational standards established by rule through the Board;
- pass a CPA exam;
- have one year of experience using accounting or related skills while employed in government industry, academia, or public practice, and have met the competency requirements set by the Board; and
- have paid the appropriate fees established by the Board.

A CPA license is valid for three years. To maintain a CPA license, a licensee is subject to continuing professional education (CPE) requirements and fees. A licensee must complete 120 CPE hours within three years to maintain their license.

Firms, corporations, sole proprietorships, partnerships, and limited liability companies (LLCs) with an office in this state must hold a Washington CPA firm license if performing or offering to perform attest or compilation services.

Substantial Equivalency. Substantial equivalency allows licensed CPAs to practice across jurisdictions. Under the Uniform Accountancy Act (UAA), a CPA with a license in good standing from a jurisdiction with licensing requirements equivalent to those outlined in the UAA—a degree with 150 semester hours, minimum one year experience, and successful completion of the Uniform CPA Examination—may be granted the ability to practice other than the CPA's principal place of business. Washington State's CPA licensure requirements qualify as substantially equivalent under the UAA.

Summary of Bill: The Act is amended to include new and consolidated terms, restructured sections, updates to align with the UAA, and additions to what is prohibited and qualifies for license revocation or suspension under the Act.

Updated and Consolidated Terms. The term "substantially equivalent" is replaced with "substantial equivalency."

The term "practice privilege" is defined to include those who are authorized to practice public accounting in Washington State, of which those having substantial equivalency are included.

Words referring to gender are replaced with gender neutral terms.

The term "CPA firm" is defined to include all firms, corporations, sole proprietorships, partnerships, and LLCs performing or offering to perform attest or compilation services currently required to hold a firm license in Washington State.

Experience Requirement for Licensure. The current statutory requirement of one year of experience for a CPA license is replaced with experience requirements determined through rule making by the Board.

An individual whose principal place of business is not Washington State may practice as a licensed CPA in the state if they meet requirements which have substantial equivalency to those requirements set forth by the Board, rather than having at least 150 semester hours of university or college education and achieving a passing grade on the Uniform CPA Examination and possessing at least one year of experience.

Violations Resulting in Potential License Revocation. The following are added as causes that could result in a CPA or CPA firm's license being revoked, suspended, or not renewed, among other remedies provided to the Board:

- dishonesty in obtaining a license;
- performance of any fraudulent act while holding a license or privilege under the Act; and
- making any false or misleading statement or certification in support of an application for a license filed by another.

Other Changes. Intent sections and effective dates for previous revisions to the Act are removed.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This bill cleans up and updates language, aligns the state's Act more closely with the UAA. This bill updates terms and makes it easier for firms to understand how to get a license by putting the requirements under one term, "CPA firm". The Board does not license firms any differently regardless of how they are organized. This simplifies. This removes the one-year requirement, and instead establishes the requirement under Board rule. The Washington Society of Public Accountants has worked with all interested parties in developing this legislation.

Persons Testifying: PRO: Senator Derek Stanford, Prime Sponsor; Michael Paquette, Washington State BOA; Lisa Thatcher, Washington Society of Certified Public Accountants.

Persons Signed In To Testify But Not Testifying: No one.