

BOARD MEETING AGENDA

Date, Time: Friday, January 27, 2023 – Board Meeting – 9:00 a.m.

Location: Radisson Hotel Seattle Airport
Orcas Room
18118 International Blvd
Seattle, WA 98188
or by Microsoft Teams Meeting

Notices: Public Rules Hearing

Chair Introductions

PUBLIC RULE- MAKING HEARING

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BOARD MEETING AGENDA

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The Board of Accountancy schedules all public meetings at barrier free sites. Persons who need special assistance, such as enlarged type materials, please contact the Board's Americans with Disabilities Act contact person:

Kirsten Donovan, Board Clerk
PO Box 9131, Olympia, WA 98507-9131
Phone: 360-664-9191 Email: kirsten.donovan@acb.wa.gov
7-1-1 or 1-800-833-6388 (TTY) - 1-800-833-6385 (Telebraille)
(TTY and Telebraille service nationwide by Washington Relay www.washingtonrelay.com)

**WASHINGTON STATE
BOARD OF ACCOUNTANCY
BOARD MEETING – JANUARY 27, 2023
SUMMARY**

Date and Time: Friday, January 27, 2023 - 9:00 a.m.

Location: Microsoft Teams Meeting

Notices: Public Rules Hearing

Chair's Opening Announcements: The purpose of the Board meeting is for the Board to accomplish its business. After the Board completes its discussion of an agenda item, if appropriate, I will ask if anyone in the audience wishes to comment. As a reminder, individuals attending the meeting may participate only after recognition by the Chair. If you plan to address the Board on other matters during the public input section of the agenda, please sign the public input roster, or if attending by Teams meeting advise the Board Chair now, and your name will be added to the public input roster.

January 27, 2023 - 9:00 a.m. – PUBLIC RULE-MAKING HEARING

Rules Hearing - At 9:00 a.m. the Board will hold its scheduled rules hearing to obtain public input on the proposed changes to Board rules. Individuals wishing to comment must sign in on the rule-making public input roster at the back of the room. If you are attending by Teams meeting, advise the Board Chair now, and your name will be added to the roster.

1. **Public Rule-Making Hearing Outline** – The script the Chair will use as a guide during the hearing is at **pages 12-14** of the meeting materials.

2. **Rules Under Consideration** –

WAC 4-30-010 Definitions

See **pages 15-18** for the CR-102, Proposed Rule Making Notice.

Pages 19-24 contain the draft language filing for the proposed rule changes. The proposed changes:

- Add a definition for Professional Services
- Eliminate definitions that are no longer needed

The Executive Director will provide a summary of the proposed rule changes.

Ethics and Prohibited Practices Rules

- **WAC 4-30-040 What are the requirements concerning integrity and objectivity? – Page 33**
- **WAC 4-30-042 When is independence required? – Page 34**
- **WAC 4-30-044 What restrictions govern commissions, referral, and contingent fees? – Page 35-36**
- **WAC 4-30-045 Commission and referral fees. (New rule) – Page 37**
- **WAC 4-30-046 What are the requirements concerning competence? – Page 48**
- **WAC 4-30-048 Compliance is required with which rules, regulations and professional standards? – Pages 39-40**
- **WAC 4-30-049 Accounting principles. (New rule) – Page 41**
- **WAC 4-30-050 Records and clients confidential information. – Pages 42-44**
- **WAC 4-30-051 Client records. – Page 45**
- **WAC 4-30-052 What acts are considered discreditable? – Page 46**
- **WAC 4-30-054 What are the limitations on advertising and other forms of solicitation? – Page 47**
- **WAC 4-30-056 What are the limitations regarding individual and firm names? – Pages 48-49**
- **WAC 4-30-058 Does the board authorize the use of any other titles or designations? – Pages 50-51**

See **pages 25-32** for the CR-102s, Proposed Rule Making Notices.

Pages 33-51 contain the draft language filings for the proposed rule changes. The proposed changes:

- Simplify the rules by paralleling the rules with the AICPA Code of Professional Conduct (ACIPA Code) and specifically listing any exceptions to the AICPA Code
- Rename the rules (with the exception of WAC 4-30-050)
- Repeal one rule, WAC 4-30-051, as the information contained in this rule was added to another rule within the ethics and prohibited practice rule section
- Adopt two new rules, WAC 4-30-045 and 4-30-049, to reorganize the ethics and prohibited practices rule sections for clarity

The Executive Director will provide a summary of the proposed rule changes.

WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?

See **pages 52-55** for the CR-102, Proposed Rule Making Notice.

Pages 56-57 contain the draft language filing for the proposed rule changes. The proposed changes:

Board Meeting Summary – January 27, 2023

- Change the number of college credits required to sit for the Uniform CPA Examination to 120 semester credits (180 quarter credits)
- Rename the rule

The Executive Director will provide a summary of the proposed rule changes.

3. Written Stakeholder Comments

The Board received written comment on the proposed revisions to the client records rules (WAC 4-30-050 and 4-30-051) which is contained at **pages 58-59**.

The Board received written comments on the proposed changes to the education rule (WAC 4-30-060) which are contained at **pages 60-64**.

January 27, 2023 – BOARD MEETING

4. Rules Review

- a. **Board deliberation on the proposed rule considered at the public rule-making hearing.**

WAC 4-30-010 Definitions – Pages 15-24

The Executive Director is prepared to summarize the proposed rule changes and answer any questions for the Board during deliberation.

Does the Board wish to:

- **Adopt the rule as proposed; or**
- **Adopt the rule with minor changes that do not change the general subject matter of the proposed rule; or**
- **Amend the rule proposal and set another rules hearing date; or**
- **Withdraw the rule proposal?**

Effective date: If the Board decides to adopt the rule, the Board must determine the effective date. Rules generally become effective 31 days after filing. The Executive Director recommends making the rule effective 31 days after filing.

Does the Board wish to make the rule effective:

- **31 days after filing; or**
- **Another date?**

Ethics and Prohibited Practices Rules – Pages 25-51

- **WAC 4-30-040** What are the requirements concerning integrity and objectivity?
- **WAC 4-30-042** When is independence required?
- **WAC 4-30-044** What restrictions govern commissions, referral, and contingent fees?
- **WAC 4-30-045** Commission and referral fees. (New rule)
- **WAC 4-30-046** What are the requirements concerning competence?
- **WAC 4-30-048** Compliance is required with which rules, regulations and professional standards?
- **WAC 4-30-049** Accounting principles. (New rule)
- **WAC 4-30-050** Records and clients confidential information.
- **WAC 4-30-052** What acts are considered discreditable?
- **WAC 4-30-054** What are the limitations on advertising and other forms of solicitation?
- **WAC 4-30-056** What are the limitations regarding individual and firm names?
- **WAC 4-30-058** Does the board authorize the use of any other titles or designations?

The Executive Director is prepared to summarize the proposed rule changes and answer any questions for the Board during deliberation.

Does the Board wish to:

- **Adopt the rules as proposed; or**
- **Adopt the rules with minor changes that do not change the general subject matter of the proposed rules; or**
- **Amend the rule proposals and set another rules hearing date; or**
- **Withdraw the rule proposals?**

Effective date: If the Board decides to adopt the rules, the Board must determine the effective date. Rules generally become effective 31 days after filing. The Executive Director recommends making the rules effective 31 days after filing.

Does the Board wish to make the rules effective:

- **31 days after filing; or**
- **Another date?**

WAC 4-30-051 Client records. – Page 45

The Executive Director is prepared to summarize the proposed repeal of the rule and answer any questions for the Board during deliberation.

Does the Board wish to:

- Repeal the rule as proposed; or
- Withdraw the rule proposal?

Effective date: If the Board decides to repeal the rule, the Board must determine the effective date. Rule repeals generally become effective 31 days after filing. The Executive Director recommends making the rule repeal effective 31 days after filing.

Does the Board wish to make the rule repeal effective:

- 31 days after filing; or
- Another date?

WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination? – Pages 52-57

The Executive Director is prepared to summarize the proposed rule changes and answer any questions for the Board during deliberation.

Does the Board wish to:

- Adopt the rule as proposed; or
- Adopt the rule with minor changes that do not change the general subject matter of the proposed rule; or
- Amend the rule proposal and set another rules hearing date; or
- Withdraw the rule proposal?

Effective date: If the Board decides to adopt the rule, the Board must determine the effective date. Rules generally become effective 31 days after filing. The Executive Director recommends making the rule effective April 1, 2023.

Does the Board wish to make the rule effective:

- April 1, 2023; or
- Another date?

b. Semi-annual Rules Development Agenda – January through June 2023

Pages 65-66 contain the Semi-Annual Rules development agenda filed with the Office of the Code Reviser.

The agenda is informational for the public, and the noted dates of anticipated activity are estimates.

c. WAC 4-30-133 Reporting periods, carry-forward/back, and limitations on continuing professional education (CPE) credit.

Page 67 contains a copy of the CR-101 filed with the Office of the Code Reviser.

Pages 68-72 contain a draft copy of the proposed rule changes. The rule change is proposed to change the increments in which CPE credit is earned. With the change, CPE credit will be earned in tenths (.1) of hours after the first hour is earned instead of half-hour (.5) increments after the first hour is earned. Five minutes will constitute one-tenth of a CPE hour based on the 50-minute CPE hour.

The Executive Director will lead a discussion on the proposed changes.

Does the Board wish to direct staff to:

- **File the CR-102 as written (or with minor changes) for this proposal and schedule a public rule-making hearing in conjunction with the Board’s January meeting; or**
- **Amend the rule proposal for consideration at the Board’s January meeting; or**
- **Withdraw the rule proposal?**

5. Minutes – October 28, 2022

Board staff presents the draft minutes of the October 28, 2022, Annual Board meeting on **Pages 73-81** for the Board’s consideration.

Does the Board approve the minutes as drafted?

Does the Board authorize the use of their electronic signatures on file for the signing of the approved meeting minutes?

6. Delegations of Authority – Annual Review

Pages 82-88 contain the 2022 delegations for review. The Board Chair and staff reviewed and propose no revisions to delegations for 2023 other than date and signature of the Board Chair.

a. DA-001 Investigations, Subpoenas, Charges, Emergency Action, and Settlement Negotiations – Pages 82-83

Does the Board wish to revise, retain, or revoke this delegation?

b. DA-002 Request Oversight and Appeal of Denials – Pages 84-85

Does the Board wish to revise, retain, or revoke this delegation?

c. DA-003 Quality Assurance Oversight – Pages 86-87

Does the Board wish to revise, retain, or revoke this delegation?

d. DA-004 CR-101 Filing – Page 88

Does the Board wish to revise, retain, or revoke this delegation?

7. Chair’s Report

8. Board Officers and Board Governance

Mark Hugh will provide a report and lead the discussion on proposed changes to WAC 4-30-022, What is the board’s meeting schedule and how are officers elected? **Pages 89-90** contain a copy of the report.

Does the Board wish to:

- **File the CR-101 to begin the rule-making process; or**
- **Leave the rule as it is?**

9. NASBA Update

The Executive Director will provide a report on NASBA activities.

10. Legal Counsel’s Report

a. Open Public Meetings Act

The Board’s legal counsel, Leo Roinila, will provide training on the Open Public Meetings Act. PowerPoint slides are available at **pages 91-113**.

11. Committee/Task Force Reports

- a. Executive – Chair: Brian Thomas, CPA; Vice Chair: Mark Hugh, CPA; Secretary:**

Kate Dixon, Public Member

Brian will give a verbal report.

- b. **Peer Review Oversight Committee (PROC)** – Chair: Mark Hugh, CPA; Members: Kate Dixon, Public Member; Brooke Stegmeier, CPA; Thomas P. Sawatzki, CPA

Page 114 contains the Peer Review Alternatives report.

Mark will give a verbal report.

- c. **Request Oversight Committee (ROC)** – Chair: Scott Newman, Public Member; Members: Rajib Doogar, Public Member; Tonia Campbell, CPA

Page 115 contains a report on the 4th quarter approvals and denials from the committee.

Tom Sawatzki (2022 Committee Chair) will give a verbal report.

- d. **Scholarship Oversight Committee (SOC)** – Chair: Tonia Campbell, CPA; Members: Kate Dixon, Public Member; Jacqueline Meucci, CPA

Pages 116-117 contain the Accounting of Receipts and Disbursements WSCPA Scholarship Program for the Program Year Ending September 30, 2022, report and the WBOA Certified Public Accounting Scholarships report.

Pages 118-132 contain the investment report, USB Client Review.

Tonia will give a verbal report.

- e. **Board/AICPA Rules Committee (BARC)** -- Chair: Brooke Stegmeier, CPA; Members: Brian Thomas, CPA; Mark Hugh, CPA; Scott Newman, CPA

Pages 133-134 contain the BARC report, Proposed AICPA Standards. Report attachments are Revised Statements on Standards for Tax Services included at **pages 135-182** and Proposed AICPA Tax Standards Address New Concerns at **pages 183-189**.

Brooke will give a verbal report.

12. Executive Director's Report

a. Budget Status

Pages 190-192 contain the Allotment Expenditure/Revenue LTD Flexible Report, the Certified Public Accountant's Account Fund Balance, and the CPA Scholarship Transfer Account Fund Balance for transactions through December 31, 2022.

b. Legislation Session Update

c. Staff Update

d. CPE Tracker – CPE Summary Upload Feature

13. Enforcement Report

Taylor Shahon, CPA, Lead Investigator, will provide a verbal report on investigations.

a. Quarterly Enforcement and Resolved Complaint Reports

Pages 193-194 contain the January 2023 Enforcement Reports.

14. Executive and/or Closed Session with Legal Counsel

The Board's legal counsel requests the agenda for regular Board meetings contain a placeholder item identifying that the Board and legal counsel may enter into executive or closed session when determined appropriate.

15. Public Input

Board meeting time has been set aside to ensure the public has an opportunity to address its concerns, and the Board has an opportunity to ask questions of the public. Individual speakers will be provided 10 minutes each.

**WASHINGTON STATE BOARD OF ACCOUNTANCY
RULES HEARING OUTLINE
JANUARY 27, 2023**

Presiding officer read or paraphrase BOLD type entries

Italics are explanatory notes to presiding officer

Opening statement:

The Board of Accountancy rules hearing is now in session. The date is Friday, January 27, 2023. The time is _____. My name is Brian Thomas. I am the Chair of the Board of Accountancy.

Copies of the rule proposals are available in the Board packet materials either at the back of the room or online at www.acb.wa.gov.

If you would like to testify, please sign in on the rule-making public input roster at the back of the room. If you are attending by Teams meeting, let me know now, and your name will be added to the roster.

Have Board Members, legal counsel, and staff in attendance introduce themselves.

Explain hearing sequence and ground rules as follows:

The hearing will be conducted as follows:

- 1. I will identify the rules presented for testimony and a brief statement for each proposal will be presented.**
- 2. I will use the attendance roster to invite testimony on the proposal. When you give testimony, please:**
 - State your name and organization if you speak for a group**
 - Limit your testimony to the rule proposal currently before the Board**
 - After you testify, please remain available for questions, and**
 - If you are testifying from text, please provide a copy by email to Kirsten Donovan, Board Clerk at kirsten.donovan@acb.wa.gov.**

Testimony is limited to 10 minutes for each speaker.

- 3. When the testimony is complete the hearing will be closed. The Board will consider the proposed rule changes at its Board meeting later today.**

First Rule Proposal

This rule proposal concerns:

- WAC 4-30-010 Definitions**

Mike Paquette, Executive Director, will present a brief statement for the proposal.

Mike presents the statement.

The rule proposal has been identified. We will now move to the testimony.

1. TESTIMONY FROM ATTENDANCE ROSTER

Ask for testimony from the audience according to the order on the attendance roster.

Will (name of individual) please present testimony?

After testimony is complete you will invite questions from the Board members.

2. OTHER TESTIMONY

*After all persons on the attendance roster have testified, ask if others wish to testify. **Is there anyone who wishes to testify that has not had the opportunity?***

Second Set of Rule Proposals

These rule proposals concern:

Ethics and Prohibited Practices Rules

- **WAC 4-30-040 What are the requirements concerning integrity and objectivity?**
- **WAC 4-30-042 When is independence required?**
- **WAC 4-30-044 What restrictions govern commissions, referral, and contingent fees?**
- **WAC 4-30-045 Commission and referral fees**
- **WAC 4-30-046 What are the requirements concerning competence?**
- **WAC 4-30-048 Compliance is required with which rules, regulations and professional standards?**
- **WAC 4-30-049 Accounting principles**
- **WAC 4-30-050 Records and clients confidential information.**
- **WAC 4-30-051 Client records**
- **WAC 4-30-052 What acts are considered discreditable?**
- **WAC 4-30-054 What are the limitations on advertising and other forms of solicitation?**
- **WAC 4-30-056 What are the limitations regarding individual and firm names?**
- **WAC 4-30-058 Does the board authorize the use of any other titles or designations?**

Mike Paquette, Executive Director, will present a brief statement for the proposals.

Mike presents the statement.

The rule proposal has been identified. We will now move to the testimony.

1. TESTIMONY FROM ATTENDANCE ROSTER

Ask for testimony from the audience according to the order on the attendance roster.

Will (name of individual) please present testimony?

After testimony is complete you will invite questions from the Board members.

2. OTHER TESTIMONY

*After all persons on the attendance roster have testified, ask if others wish to testify. **Is there anyone who wishes to testify that has not had the opportunity?***

Third Rule Proposal

This rule proposal concerns:

- **WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?**

Mike Paquette, Executive Director, will present a brief statement for the proposal.

Mike presents the statement.

The rule proposal has been identified. We will now move to the testimony.

1. TESTIMONY FROM ATTENDANCE ROSTER

Ask for testimony from the audience according to the order on the attendance roster.

Will (name of individual) please present testimony?

After testimony is complete you will invite questions from the Board members.

2. OTHER TESTIMONY

*After all persons on the attendance roster have testified, ask if others wish to testify. **Is there anyone who wishes to testify that has not had the opportunity?***

CLOSING STATEMENT:

Thank you for your testimony.

The Board will deliberate on the oral and written testimony and the proposed rules later today during its Board meeting. The Board's decision regarding the proposed rules will be posted to the Board's rule making section of the website and reflected in the meeting minutes. Thank you all for your participation. The time is _____, and this hearing is now closed.



PROPOSED RULE MAKING

CR-102 (December 2017) (Implements RCW 34.05.320)

Do NOT use for expedited rule making

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: November 08, 2022

TIME: 9:45 AM

WSR 22-23-042

Agency: Board of Accountancy

Original Notice

Supplemental Notice to WSR _____

Continuance of WSR _____

Preproposal Statement of Inquiry was filed as WSR 22-17-046 ; or

Expedited Rule Making--Proposed notice was filed as WSR _____; or

Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or

Proposal is exempt under RCW _____.

Title of rule and other identifying information: (describe subject) WAC 4-30-010 Definitions.

Hearing location(s):

Date: Time: Location: (be specific) Comment:

Date:	Time:	Location: (be specific)	Comment:
January 27, 2023	9:00 A.M.	Radisson Hotel Seattle Airport Orcas Room 18118 International Blvd Seattle, WA 98188 or Microsoft Teams Meeting The link to join the meeting will be available on the Board's website approximately 2 weeks before the hearing date at: https://acb.wa.gov/next-board-meeting . A phone number will be provided as well in case you are unable to attend online.	

Date of intended adoption: January 27, 2023 (Note: This is NOT the effective date)

Submit written comments to:

Name: Kirsten Donovan, Rules Coordinator

Address: P.O. Box 9131
Olympia, WA 98507

Email: Kirsten.donovan@acb.wa.gov

Fax: 360-664-9190

Other:

By (date) January 25, 2023

Assistance for persons with disabilities:

Contact Kirsten Donovan, Rules Coordinator

Phone: 360-664-9191

Fax: 360-664-9190

TTY: 771

Email: Kirsten.donovan@acb.wa.gov

Other:

By (date) January 25, 2023

Purpose of the proposal and its anticipated effects, including any changes in existing rules: The Board of Accountancy proposes amending WAC 4-30-010 to: (1) Add a definition for Professional Services (2) Eliminate definitions that are no longer needed.

Reasons supporting proposal: See purposes above

Statutory authority for adoption: RCW 18.04.055

Statute being implemented: RCW 18.04.055

Is rule necessary because of a:

- Federal Law? Yes No
- Federal Court Decision? Yes No
- State Court Decision? Yes No

If yes, CITATION:

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization) Board of Accountancy Private Public Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659
Implementation:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659
Enforcement:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659

Is a school district fiscal impact statement required under RCW 28A.305.135? Yes No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:

- Name:
- Address:
- Phone:
- Fax:
- TTY:
- Email:
- Other:

Is a cost-benefit analysis required under RCW 34.05.328?

Yes: A preliminary cost-benefit analysis may be obtained by contacting:

- Name:
- Address:
- Phone:
- Fax:
- TTY:
- Email:
- Other:

No: Please explain: The Board of Accountancy is not a listed agency in RCW 34.05.328(5)(a)(i).

Regulatory Fairness Act Cost Considerations for a Small Business Economic Impact Statement:

This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see chapter 19.85 RCW). Please check the box for any applicable exemption(s):

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.061 because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.

Citation and description:

This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by RCW 34.05.313 before filing the notice of this proposed rule.

This rule proposal, or portions of the proposal, is exempt under the provisions of RCW 15.65.570(2) because it was adopted by a referendum.

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(3). Check all that apply:

- | | |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> RCW 34.05.310 (4)(b)
(Internal government operations) | <input type="checkbox"/> RCW 34.05.310 (4)(e)
(Dictated by statute) |
| <input type="checkbox"/> RCW 34.05.310 (4)(c)
(Incorporation by reference) | <input type="checkbox"/> RCW 34.05.310 (4)(f)
(Set or adjust fees) |
| <input type="checkbox"/> RCW 34.05.310 (4)(d)
(Correct or clarify language) | <input type="checkbox"/> RCW 34.05.310 (4)(g)
((i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit) |

This rule proposal, or portions of the proposal, is exempt under RCW _____.

Explanation of exemptions, if necessary:

COMPLETE THIS SECTION ONLY IF NO EXEMPTION APPLIES

If the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

No Briefly summarize the agency's analysis showing how costs were calculated. No additional costs are associated with these changes.

Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses, and a small business economic impact statement is required. Insert statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

- Name:
- Address:
- Phone:
- Fax:
- TTY:
- Email:
- Other:

Date: 11/8/2022

Name: Michael J. Paquette, CPA

Title: Executive Director

Signature:

A handwritten signature in black ink that reads "Michael J. Paquette". The signature is written in a cursive style with a large, stylized initial 'M'.

WAC 4-30-010 Definitions. For purposes of these rules the following terms have the meanings indicated unless a different meaning is otherwise clearly provided in these rules:

"Act" means the Public Accountancy Act codified as chapter 18.04 RCW.

"Active individual participant" means an individual whose primary occupation is at the firm or affiliated entity's business. An individual whose primary source of income from the business entity is provided as a result of passive investment is not an active individual participant.

~~(**"Affiliated entity"** means any entity, entities or persons that directly or indirectly through one or more relationships influences or controls, is influenced or controlled by, or is under common influence or control with other entities or persons. This definition includes, but is not limited to, parents, subsidiaries, investors or investees, coinvestors, dual employment or management in joint ventures or brother-sister entities.)~~

"Applicant" means an individual who has applied:

- (a) To take the national uniform CPA examination;
- (b) For an initial individual license, an initial firm license, or initial registration as a resident nonlicensee owner;
- (c) To renew an individual license, a CPA-Inactive certificate, a CPA firm license, or registration as a resident nonlicensee firm owner;
- (d) To reinstate an individual license, a CPA-Inactive certificate, registration as a resident nonlicensee firm owner, or practice privileges.

"Attest" means providing the following services:

- (a) Any audit or other engagement to be performed in accordance with the statements on auditing standards;
- (b) Any review of a financial statement to be provided in accordance with the statements on standards for accounting and review services;
- (c) Any engagement to be performed in accordance with the statements on standards for attestation engagements; and
- (d) Any engagement to be performed in accordance with the public company accounting oversight board auditing standards.

"Audit," "review," and "compilation" are terms reserved for use by licensees, as defined in this section.

~~(**"Authorized person"** means a person who is designated or has held out as the client's representative, such as a general partner, tax matters partner, majority shareholder, spouse, agent, or apparent agent.)~~

"Board" means the board of accountancy created by RCW 18.04.035.

"Breach of fiduciary responsibilities/duties" means when a person who has a fiduciary responsibility or duty acts in a manner adverse or contrary to the interests of the person to whom they owe the fiduciary responsibility or duty. Such actions would include profiting from their relationship without the express informed consent of the beneficiary of the fiduciary relationship, or engaging in activities that represent a conflict of interest with the beneficiary of the fiduciary relationship.

"Certificate" means a certificate as a CPA-Inactive issued in the state of Washington prior to July 1, 2001, as authorized by the act, unless otherwise defined in rule.

"Certificate holder" means the holder of a valid CPA-Inactive certificate where the individual is not a licensee and is prohibited from practicing public accounting.

"Client" means the person or entity that retains a licensee, as defined in this section, a CPA-Inactive certificate holder, a nonlicensee firm owner of a licensed firm, or an entity affiliated with a licensed firm to perform professional services through other than an employer/employee relationship.

~~(**"Commissions and referral fees"** are compensation arrangements where the primary contractual relationship for the product or service is not between the client and licensee, as defined in this section, CPA-Inactive certificate holder, nonlicensee firm owner of a licensed firm, or a person affiliated with a licensed firm; and~~

~~(a) Such persons are not primarily responsible to the client for the performance or reliability of the product or service; or~~

~~(b) Such persons add no significant value to the product or service; or~~

~~(c) A third party instead of the client pays the persons for the products or services.)~~

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

~~(**"Contingent fees"** are fees established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service.)~~

"CPA" or **"certified public accountant"** means an individual holding a license to practice public accounting under chapter 18.04 RCW or recognized by the board in the state of Washington, including an individual exercising practice privileges pursuant to RCW 18.04.350(2).

"CPA-Inactive" means an individual holding a CPA-Inactive certificate recognized in the state of Washington. An individual holding a CPA-Inactive certificate is prohibited from practicing public accounting and may only use the CPA-Inactive title if they are not offering accounting, tax, tax consulting, management advisory, or similar services to the public.

"CPE" means continuing professional education.

"Fiduciary responsibility/duty" means a relationship wherein one person agrees to act solely in another person's interests. Persons having such a relationship are fiduciaries and the persons to whom they owe the responsibility are principals. A person acting in a fiduciary capacity is held to a high standard of honesty and disclosure in regard to a principal. Examples of fiduciary relationships include those between broker and client, trustee and beneficiary, executors or administrators and the heirs of a decedent's estate, and an officer or director and the owners of the entity.

"Firm" means a sole proprietorship, a corporation, or a partnership. "Firm" also means a limited liability company or partnership formed under chapters 25.15 and 18.100 RCW and a professional service corporation formed under chapters 23B.02 and 18.100 RCW.

"Firm mobility" means an out-of-state firm that is not licensed by the board and meets the requirements of RCW 18.04.195 (1)(a)(iii)(A) through (D) exercising practice privileges in this state.

"Generally accepted accounting principles" (GAAP) is an accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices and procedures. Those conventions, rules, and procedures provide a standard by which to measure financial presentations.

"Generally accepted auditing standards" (GAAS) are guidelines and procedures, promulgated by the AICPA, for conducting individual audits of historical financial statements.

"Holding out" means any representation to the public by the use of restricted titles as set forth in RCW 18.04.345 by a person that the person holds a license or practice privileges under the act and that the person offers to perform any professional services to the public. "Holding out" shall not affect or limit a person not required to hold a license under the act from engaging in practices identified in RCW 18.04.350.

"Inactive" means the individual held a valid certificate on June 30, 2001, has not met the current requirements of licensure and has been granted CPA-Inactive certificate holder status through the renewal process established by the board. A CPA-Inactive may not practice public accounting nor may the individual use the CPA-Inactive title if they are offering accounting, tax, tax consulting, management advisory, or similar services to the public.

"Individual" means a living, human being.

"Independence" means an absence of relationships that impair a licensee's impartiality and objectivity in rendering professional services for which a report expressing assurance is prescribed by professional standards.

"Interactive self-study program" means a CPE program that provides feedback throughout the course.

"IRS" means Internal Revenue Service.

"License" means a license to practice public accounting issued to an individual or a firm under the act or the act of another state.

"Licensee" means an individual or firm holding a valid license to practice public accounting issued under the act, including out-of-state individuals exercising practice privileges in this state under RCW 18.04.350(2) and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195 (1)(a) and (b).

"Manager" means a manager of a limited liability company licensed as a firm under the act.

"Nano learning" is a stand-alone continuing professional education (CPE) course that is a minimum of (~~ten~~) 10 minutes (0.2 CPE credit hours) consisting of electronic self-study with a stated learning objective and a minimum of two final assessment questions.

"NASBA" means the National Association of State Boards of Accountancy.

"Nonlicensee firm owner" means an individual, not licensed in any state to practice public accounting, who holds an ownership interest in a firm permitted to practice public accounting in this state.

"PCAOB" means Public Company Accounting Oversight Board.

"Peer review" means a study, appraisal, or review of one or more aspects of the attest or compilation work of a licensee or licensed firm in the practice of public accounting, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures, but not including the "quality assurance review" under this section.

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

"Practice privileges" are the rights granted by chapter 18.04 RCW to a person who:

(a) Has a principal place of business outside of Washington state;

(b) Is licensed to practice public accounting in another substantially equivalent state;

(c) Meets the statutory criteria for the exercise of privileges as set forth in RCW 18.04.350(2) for individuals or RCW 18.04.195 (1)(b) for firms;

(d) Exercises the right to practice public accounting in this state individually or on behalf of a firm;

(e) Is subject to the personal and subject matter jurisdiction and disciplinary authority of the board in this state;

(f) Must comply with the act and all board rules applicable to Washington state licensees to retain the privilege; and

(g) Consents to the appointment of the issuing state board of another state as agent for the service of process in any action or proceeding by this state's board against the certificate holder or licensee.

"Principal place of business" means the office location designated by the licensee for purposes of substantial equivalency and reciprocity.

"Professional services" include all services requiring accountancy or related skills that are performed for a client, an employer, or on a volunteer basis. These services include, but are not limited to, accounting, audit and other attest services, tax, bookkeeping, management consulting, financial management, corporate governance, personal financial planning, business valuation, litigation support, educational, and those services for which standards are promulgated by the appropriate body for each services undertaken.

"Public practice" or the **"practice of public accounting"** means performing or offering to perform by a person or firm holding itself out to the public as a licensee, or as an individual exercising practice privileges, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "reports," or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. The "practice of public accounting" shall not include practices that are permitted under the provisions of RCW 18.04.350(10) by persons or firms not required to be licensed under the act.

"Quality assurance review or QAR" is the process, established by and conducted at the direction of the board, to study, appraise, or review one or more aspects of the audit, compilation, review, and oth-

er professional services for which a report expressing assurance is prescribed by professional standards of a licensee or licensed firm in the practice of public accounting, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed.

"Reciprocity" means board recognition of licenses, permits, certificates or other public accounting credentials of another jurisdiction that the board will rely upon in full or partial satisfaction of licensing requirements.

~~(**"Referral fees"** see definition of "commissions and referral fees" in this section.)~~

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

"Representing oneself" means having a license, practice privilege, certificate or registration that entitles the holder to use the title "CPA," "CPA-Inactive," or be a nonlicensee firm owner.

"Rules of professional conduct" means rules adopted by the board to govern the conduct of licensees, as defined in this section, while representing themselves to others as licensees. These rules also govern the conduct of CPA-Inactive certificate holders, nonlicensee firm owners, and persons exercising practice privileges pursuant to RCW 18.04.350(2).

"SEC" means the Securities and Exchange Commission.

"Sole proprietorship" means a legal form of organization owned by one person meeting the requirements of RCW 18.04.195.

"State" includes the states and territories of the United States, including the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands at such time as the board determines that the Commonwealth of the Northern Mariana Islands is issuing licenses under the substantially equivalent standards of RCW 18.04.350 (2)(a).

"Statements on auditing standards (SAS)" are interpretations of the generally accepted auditing standards and are issued by the Auditing Standards Board of the AICPA. Licensees are required to adhere to these standards in the performance of audits of financial statements.

"Statements on standards for accounting and review services (SSARS)" are standards, promulgated by the AICPA, to give guidance to licensees who are associated with the financial statements of nonpublic companies and issue compilation or review reports.

"Statements on standards for attestation engagements (SSAE)" are guidelines, promulgated by the AICPA, for use by licensees in attesting to assertions involving matters other than historical financial statements and for which no other standards exist.



PROPOSED RULE MAKING

CR-102 (December 2017) (Implements RCW 34.05.320)

Do NOT use for expedited rule making

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: November 08, 2022

TIME: 1:04 PM

WSR 22-23-045

Agency: Board of Accountancy

Original Notice

Supplemental Notice to WSR _____

Continuance of WSR _____

Preproposal Statement of Inquiry was filed as WSR 22-17-060 ; or

Expedited Rule Making--Proposed notice was filed as WSR _____; or

Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or

Proposal is exempt under RCW _____.

Title of rule and other identifying information: (describe subject) WAC 4-30-045 Commission and referral fees.; WAC 4-30-049 Accounting principles

Hearing location(s):

Date: Time: Location: (be specific) Comment:

Date:	Time:	Location: (be specific)	Comment:
January 27, 2023	9:00 A.M.	Radisson Hotel Seattle Airport Orcas Room 18118 International Blvd Seattle, WA 98188 or Microsoft Teams Meeting The link to join the meeting will be available on the Board's website approximately 2 weeks before the hearing date at: https://acb.wa.gov/next-board-meeting . A phone number will be provided as well in case you are unable to attend online.	

Date of intended adoption: January 27, 2023 (Note: This is NOT the effective date)

Submit written comments to:

Name: Kirsten Donovan, Rules Coordinator

Address: P.O. Box 9131
Olympia, WA 98507

Email: Kirsten.donovan@acb.wa.gov

Fax: 360-664-9190

Other:

By (date) January 25, 2023

Assistance for persons with disabilities:

Contact Kirsten Donovan, Rules Coordinator

Phone: 360-664-9191

Fax: 360-664-9190

TTY: 771

Email: Kirsten.donovan@acb.wa.gov

Other:

By (date) January 25, 2023

Purpose of the proposal and its anticipated effects, including any changes in existing rules: The Board of Accountancy proposes adoption of WAC 4-30-045 and WAC 4-30-049 to reorganize the ethics and prohibited practice rule sections for clarity

Reasons supporting proposal: See purposes above

Statutory authority for adoption: RCW 18.04.055

Statute being implemented: RCW 18.04.055

Is rule necessary because of a:

- Federal Law? Yes No
- Federal Court Decision? Yes No
- State Court Decision? Yes No

If yes, CITATION:

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization) Board of Accountancy Private
 Public
 Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659
Implementation:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659
Enforcement:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659

Is a school district fiscal impact statement required under RCW 28A.305.135? Yes No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:

- Name:
- Address:
- Phone:
- Fax:
- TTY:
- Email:
- Other:

Is a cost-benefit analysis required under RCW 34.05.328?

- Yes: A preliminary cost-benefit analysis may be obtained by contacting:
 Name:
 Address:
 Phone:
 Fax:
 TTY:
 Email:
 Other:

No: Please explain: The Board of Accountancy is not a listed agency in RCW 34.05.328(5)(a)(i).

Regulatory Fairness Act Cost Considerations for a Small Business Economic Impact Statement:

This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see chapter 19.85 RCW). Please check the box for any applicable exemption(s):

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.061 because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.

Citation and description:

This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by RCW 34.05.313 before filing the notice of this proposed rule.

This rule proposal, or portions of the proposal, is exempt under the provisions of RCW 15.65.570(2) because it was adopted by a referendum.

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(3). Check all that apply:

- | | |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> RCW 34.05.310 (4)(b)
(Internal government operations) | <input type="checkbox"/> RCW 34.05.310 (4)(e)
(Dictated by statute) |
| <input type="checkbox"/> RCW 34.05.310 (4)(c)
(Incorporation by reference) | <input type="checkbox"/> RCW 34.05.310 (4)(f)
(Set or adjust fees) |
| <input type="checkbox"/> RCW 34.05.310 (4)(d)
(Correct or clarify language) | <input type="checkbox"/> RCW 34.05.310 (4)(g)
((i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit) |

This rule proposal, or portions of the proposal, is exempt under RCW _____.

Explanation of exemptions, if necessary:

COMPLETE THIS SECTION ONLY IF NO EXEMPTION APPLIES

If the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

- No Briefly summarize the agency's analysis showing how costs were calculated. No additional costs are associated with these changes.
- Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses, and a small business economic impact statement is required. Insert statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

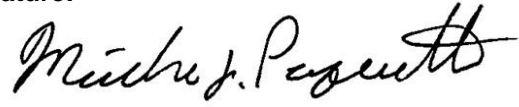
- Name:
- Address:
- Phone:
- Fax:
- TTY:
- Email:
- Other:

Date: 11/8/2022

Name: Michael J. Paquette, CPA

Title: Executive Director

Signature:

A handwritten signature in black ink that reads "Michael J. Paquette". The signature is written in a cursive style with a large, stylized 'M' and 'P'.



PROPOSED RULE MAKING

CR-102 (December 2017) (Implements RCW 34.05.320)

Do NOT use for expedited rule making

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: November 08, 2022

TIME: 2:02 PM

WSR 22-23-050

Agency: Board of Accountancy

Original Notice

Supplemental Notice to WSR _____

Continuance of WSR _____

Preproposal Statement of Inquiry was filed as WSR 22-16-093 ; or

Expedited Rule Making--Proposed notice was filed as WSR _____; or

Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or

Proposal is exempt under RCW _____.

Title of rule and other identifying information: (describe subject) WAC 4-30-040 What are the requirements concerning integrity and objectivity?; WAC 4-30-042 When is independence required?; WAC 4-30-044 What restrictions govern commissions, referral, and contingent fees?; WAC 4-30-046 What are the requirements concerning competence?; WAC 4-30-048 Compliance is required with which rules, regulations and professional standards?; WAC 4-30-050 Records and clients confidential information.; WAC 4-30-051 Client records.; WAC 4-30-052 What acts are considered discreditable?; WAC 4-30-054 What are the limitations on advertising and other forms of solicitation?; WAC 4-0-056 What are the limitations regarding individual and firm names?; WAC 4-30-058 Does the board authorize the use of any other titles or designations?

Hearing location(s):

Date: **Time:** **Location: (be specific)** **Comment:**

January 27, 2023	9:00 A.M.	Radisson Hotel Seattle Airport Orcas Room 18118 International Blvd Seattle, WA 98188 or Microsoft Teams Meeting The link to join the meeting will be available on the Board's website approximately 2 weeks before the hearing date at: https://acb.wa.gov/next-board-meeting . A phone number will be provided as well in case you are unable to attend online.	
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Date of intended adoption: January 27, 2023 (Note: This is NOT the effective date)

Submit written comments to:

Name: Kirsten Donovan, Rules Coordinator

Address: P.O. Box 9131
Olympia, WA 98507

Email: Kirsten.donovan@acb.wa.gov

Fax: 360-664-9190

Other:

By (date) January 25, 2023

Assistance for persons with disabilities:

Contact Kirsten Donovan, Rules Coordinator

Phone: 360-664-9191

Fax: 360-664-9190

TTY: 771

Email: Kirsten.donovan@acb.wa.gov

Other:

By (date) January 25, 2023

Purpose of the proposal and its anticipated effects, including any changes in existing rules: The Board of Accountancy proposes amending:
WAC 4-30-040; WAC 4-30-042; WAC 4-30-044; WAC 4-30-046; WAC 4-30-048; WAC 4-30-050; WAC 4-30-052; WAC 4-30-054; WAC 4-0-056; WAC 4-30-058 to: (1) simplify the rules by paralleling the rules with the AICPA Code of Professional Conduct (ACIPA Code) and specifically listing any exceptions to the AICPA Code; (2) Rename the rules (with the exception of WAC 4-30-050)
The Board of Accountancy proposes repealing: WAC 4-30-051 as the information contained in this rule was included throughout the ethics and prohibited practices rule sections amended above.

Reasons supporting proposal: See purposes above

Statutory authority for adoption: RCW 18.04.055

Statute being implemented: RCW 18.04.055

Is rule necessary because of a:

- Federal Law? Yes No
- Federal Court Decision? Yes No
- State Court Decision? Yes No

If yes, CITATION:

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization) Board of Accountancy Private
 Public
 Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659
Implementation:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659
Enforcement:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659

Is a school district fiscal impact statement required under RCW 28A.305.135? Yes No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:

- Name:
- Address:
- Phone:
- Fax:
- TTY:

Email:
Other:

Is a cost-benefit analysis required under RCW 34.05.328?

Yes: A preliminary cost-benefit analysis may be obtained by contacting:

Name:
Address:
Phone:
Fax:
TTY:
Email:
Other:

No: Please explain: The Board of Accountancy is not a listed agency in RCW 34.05.328(5)(a)(i).

Regulatory Fairness Act Cost Considerations for a Small Business Economic Impact Statement:

This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see chapter 19.85 RCW). Please check the box for any applicable exemption(s):

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.061 because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.

Citation and description:

This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by RCW 34.05.313 before filing the notice of this proposed rule.

This rule proposal, or portions of the proposal, is exempt under the provisions of RCW 15.65.570(2) because it was adopted by a referendum.

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(3). Check all that apply:

- | | |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> RCW 34.05.310 (4)(b)
(Internal government operations) | <input type="checkbox"/> RCW 34.05.310 (4)(e)
(Dictated by statute) |
| <input type="checkbox"/> RCW 34.05.310 (4)(c)
(Incorporation by reference) | <input type="checkbox"/> RCW 34.05.310 (4)(f)
(Set or adjust fees) |
| <input type="checkbox"/> RCW 34.05.310 (4)(d)
(Correct or clarify language) | <input type="checkbox"/> RCW 34.05.310 (4)(g)
((i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit) |

This rule proposal, or portions of the proposal, is exempt under RCW _____.

Explanation of exemptions, if necessary:

COMPLETE THIS SECTION ONLY IF NO EXEMPTION APPLIES

If the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

No Briefly summarize the agency's analysis showing how costs were calculated. No additional costs are associated with these changes.

Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses, and a small business economic impact statement is required. Insert statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

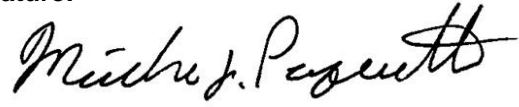
Name:
Address:
Phone:
Fax:
TTY:
Email:
Other:

Date: 11/8/2022

Name: Michael J. Paquette, CPA

Title: Executive Director

Signature:

A handwritten signature in black ink that reads "Michael J. Paquette". The signature is written in a cursive style with a large, stylized 'M' and 'P'.

WAC 4-30-040 (~~(What are the requirements concerning integrity and objectivity?)~~) **Integrity and objectivity.** (~~(When offering or performing services, licensees, CPA Inactive certificate holders, nonlicensee firm owners, and employees of such persons must:~~

- ~~• Remain honest and objective;~~
- ~~• Not misrepresent facts;~~
- ~~• Not subordinate their judgment to others; and~~
- ~~• Remain free of conflicts of interest unless such conflicts are specifically permitted by board rule or professional standards listed in WAC 4-30-048.~~

~~If the language of the professional standards listed in WAC 4-30-048 differ from or conflict with specific board rules, board rules prevail.)~~ (1) In the performance of any professional service, a licensee shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.

(2) For the purposes of this rule, "licensees" includes licensees, licensees with an inactive status, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.

WAC 4-30-042 ((When is independence required?)) Independence.

~~((When performing professional services for which a report expressing assurance is prescribed by professional standards, licensees, as defined in WAC 4-30-010, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons must evaluate and maintain their independence so that opinions, reports, conclusions, and judgments will be impartial and viewed as impartial by parties expected to rely on any report expressing assurance by such persons. Such persons are required:~~

~~(1) To comply with all applicable independence rules, regulations, and the AICPA code of conduct as referenced in and required by WAC 4-30-048; and~~

~~(2) To decline engagements for which a report expressing assurance is prescribed by professional standards when such persons have a relationship that could lead a reasonable and foreseeable user to conclude that such persons are not independent.~~

~~Independence is not required when performing a compilation engagement provided the report discloses a lack of independence.)) (1) A licensee in public practice shall be independent in the performance of professional services as required by standards promulgated by the appropriate body for each service undertaken.~~

~~(2) For the purposes of this rule, "licensees" includes licensees, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.~~

~~WAC 4-30-044 ((What restrictions govern commissions, referral, and contingent fees?)) Contingent fees. ((For the purposes of this section, the term "licensed firm" includes any affiliated entity(ies) and the term "firm owner" includes the owner(s) of any affiliated entity(ies).~~

~~(1) Licensees and/or their employees must not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, when such persons perform compilation, or other professional services for which a report expressing assurance is prescribed by professional standards for that client. This prohibition applies:~~

~~(a) During the period in which such persons are engaged to perform professional services for which a report expressing assurance is prescribed by professional standards; and~~

~~(b) During the period covered by any information for which a report expressing assurance is prescribed by professional standards and a report was issued by such persons.~~

~~(2) Licensees and/or their employees must also not:~~

~~(a) Perform for a contingent fee any professional services for, or receive such a fee from a client for whom such persons perform compilation, or other professional services for which a report expressing assurance is prescribed by professional standards; or~~

~~(b) Prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.~~

~~(3) The prohibition against contingent fees applies:~~

~~(a) During the period in which such persons are engaged to perform professional services for which a report expressing assurance is prescribed by professional standards; and~~

~~(b) During the period covered by any information for which a report expressing assurance is prescribed by professional standards and a report was issued by such persons.~~

~~(4) Fees are not considered contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies.) (1) A licensee in public practice shall not:~~

~~(a) Perform for a contingent fee any professional services for, or receive such a fee from a client for whom the licensee or the licensee's firm performs:~~

~~(i) An audit or review of a financial statement; or~~

~~(ii) A compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement and the licensee's compilation report does not disclose a lack of independence; or~~

~~(iii) An examination of prospective financial information; or~~

~~(b) Prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.~~

~~(2) The prohibition above applies during the period in which the licensee or licensee's firm is engaged to perform any of the services listed above and the period covered by any historical financial statements involved in any such listed services.~~

~~(3) Except as stated in the next sentence, a contingent fee is a fee established for the performance of any service pursuant to an ar-~~

rrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service. Solely for purposes of this rule, fees are not regarded as being contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies.

(4) A licensee's fees may vary depending, for example, on the complexity of services rendered.

(5) ~~Any ((person subject to board rules who is not prohibited by this section from performing services for, or receiving a commission, referral or contingent fee and who are paid or expect to be paid accordingly must disclose that fact to any person or entity to whom such persons recommend or refer a product or service to which the commission, referral or contingent fee relates in the manner prescribed below))~~ licensee who is not prohibited by this rule from performing services for a contingent fee must:

(a) Disclose the arrangement in writing and in advance of client acceptance;

(b) Disclose the method of calculating the fee or amount of fee;

(c) Specify the licensee's(~~(, CPA-Inactive certificate holder's, or nonlicensee firm owner's))~~) role as the client's advisor; and

(d) Obtain the client's consent to the fee arrangement in writing.

(6) ~~((Nothing in this rule shall be interpreted to preclude licensees, as defined in WAC 4-30-010, CPA-Inactive certificate holders, or nonlicensee firm owners from purchasing, selling, or merging all or a portion of a licensed firm or affiliated entity or to require disclosure to clients of terms or payments made or received pursuant to the purchase, sale, or merger.))~~ For the purposes of this rule, "licensees" includes licensees, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.

NEW SECTION

WAC 4-30-045 Commission and referral fees. (1) A licensee in public practice shall not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, when the licensee or licensee's firm also performs for that client:

(a) An audit or review of a financial statement; or

(b) A compilation of a financial statement when the licensee expects, or reasonably might expect, that a third party will use the financial statement and the licensee's compilation report does not disclose a lack of independence; or

(c) An examination of prospective financial information.

(2) This prohibition applies during the period in which the licensee is engaged to perform any of the services listed above and the period covered by any historical financial statements involved in such listed services.

(3) Any licensee who is not prohibited by this rule from performing services for, or receiving a commission or referral fee must:

(a) Disclose the arrangement in writing and in advance of client acceptance;

(b) Disclose the method of calculating the fee or amount of fee;

(c) Specify the licensee's role as the client's advisor; and

(d) Obtain the client's consent to the fee arrangement in writing.

(4) For the purposes of this rule, "licensees" includes licensees, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.

WAC 4-30-046 (~~(What are the requirements concerning competence?)~~) **General standards.** (~~(Licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons must not undertake to perform any professional service unless such persons can reasonably expect to complete the service with professional competence.)~~) (1) Licensees shall comply with the following general standards:

(a) Professional competence. Undertake only those professional services that the licensee or the licensee's firm can reasonably expect to be completed with professional competence.

(b) Due professional care. Exercise due professional care in the performance of professional services.

(c) Planning and supervision. Adequately plan and supervise the performance of professional services.

(d) Sufficient relevant data. Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

(2) For the purposes of this rule, "licensees" includes licensees, licensees with an inactive status, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.

WAC 4-30-048 (~~(Compliance is required with which rules, regulations and professional standards?)~~) Compliance with standards. (~~(Licensees, including out-of-state individuals exercising practice privileges in this state under RCW 18.04.350(2) and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195 (1)(b), CPA-Inactive certificate holders, CPA firms, nonlicensee firm owners, and employees of such persons must comply with rules, regulations, and professional standards promulgated by the appropriate bodies for each service undertaken. However, if the requirements found in the professional standards listed in this section differ from the requirements found in specific board rules, board rules prevail.~~

Authoritative bodies include, but are not limited to, the Securities and Exchange Commission (SEC); the Public Company Accounting Oversight Board (PCAOB); the Financial Accounting Standards Board (FASB); the Governmental Accounting Standards Board (GASB); the Cost Accounting Standards Board (CASB); the Federal Accounting Standards Advisory Board (FASAB); the U.S. Governmental Accountability Office (GAO); the Federal Office of Management and Budget (OMB); the Internal Revenue Service (IRS); the American Institute of Certified Public Accountants (AICPA), and federal, state, and local audit, regulatory and tax agencies.

Such standards include:

(1) Statements on Auditing Standards and related Auditing Interpretations issued by the AICPA;

(2) Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA;

(3) Statements on Governmental Accounting and Financial Reporting Standards issued by GASB;

(4) Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by AICPA;

(5) Statements of Financial Accounting Standards and Interpretations, and Staff Positions issued by FASB, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB;

(6) Statement on Standards for Consulting Services issued by the AICPA;

(7) Statements on Quality Control Standards issued by the AICPA;

(8) Statements on Standards for Tax Services and Interpretation of Statements on Standards for Tax Services issued by the AICPA;

(9) Statements on Responsibilities in Personal Financial Planning Practice issued by the AICPA;

(10) Statements on Standards for Litigation Services issued by the AICPA;

(11) Professional Code of Conduct issued by the AICPA including interpretations and ethics rulings;

(12) Governmental Auditing Standards issued by the U.S. Governmental Accountability Office;

(13) AICPA Industry Audit and Accounting Guides;

(14) SEC Rules, Concept Releases, Interpretative Releases, and Policy Statements;

(15) Standards issued by the PCAOB; and

~~(16) IRS Circular 230;~~

~~(17) Any additional national or international standards recognized by the AICPA, PCAOB, SEC and/or GAO.~~

~~If the professional services are governed by standards not included in subsections (1) through (17) of this section, individuals and firms including persons exercising practice privileges under RCW 18.04.350(2) who offer or render professional services in this state or for clients located in this state and the firms rendering professional services in this state or for clients located in this state through such qualifying individuals must:~~

~~(a) Maintain documentation of the justification for the departure from the standards listed in subsections (1) through (17) of this section;~~

~~(b) Determine and document what standards are applicable; and~~

~~(c) Demonstrate compliance with the applicable standards.) (1) A licensee who performs professional services shall comply with standards promulgated by the appropriate body for each service undertaken.~~

~~(2) Authoritative bodies include, but are not limited to, the American Institute of Certified Public Accountants (AICPA), its Code of Professional Conduct, its definitions, and interpretations, and other AICPA standards; the Internal Revenue Code (IRC); the Internal Revenue Service (IRS); and federal, state, and local audit, regulatory and tax agencies; the Securities and Exchange Commission (SEC); the Public Company Accounting Oversight Board (PCAOB); the Financial Accounting Standards Board (FASB); the Governmental Accounting Standards Board (GASB); the Cost Accounting Standards Board (CASB); the Federal Accounting Standards Advisory Board (FASAB); the U.S. Governmental Accountability Office (GAO); and the Federal Office of Management and Budget (OMB).~~

~~(3) However, if the requirements found in the professional standards differ from the requirements found in specific board rules, board rules prevail.~~

~~(4) For the purposes of this rule, "licensees" includes licensees, licensees with an inactive status, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.~~

NEW SECTION

WAC 4-30-049 Accounting principles. (1) A licensee shall not (a) express an opinion or state affirmatively that the financial statements or other financial data of any entity are presented in conformity with generally accepted accounting principles or (b) state that he or she is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with generally accepted accounting principles, if such statements or data contain any departure from an accounting principle promulgated by bodies appropriate to the service undertaken to establish such principles that has a material effect on the statements or data taken as a whole. If, however, the statements or data contain such a departure and the licensee can demonstrate that due to unusual circumstances the financial statements or data would otherwise have been misleading, the licensee can comply with the rule by describing the departure, its approximate effects, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

(2) For the purposes of this rule, "licensees" includes licensees, licensees with an inactive status, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.

WAC 4-30-050 ((Records and clients)) Confidential client information. ((-1) **Client:** The term "client" as used throughout WAC 4-30-050 and 4-30-051 includes former and current clients. For purposes of this section, a client relationship has been formed when confidential information has been disclosed by a prospective client or another authorized person in an initial interview to obtain or provide professional services.

(2) **Sale or transfer of client records:** No statement, record, schedule, working paper, or memorandum, including electronic records, may be sold, transferred, or bequeathed without the consent of the client or another authorized person.

(3) **Disclosure of client confidential records and client relationships:**

(a) Confidential client communication or information: Licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons must not without the specific consent of the client or another authorized person disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services.

(b) Licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons who have provided records to a client or another authorized person are not obligated to provide such records to other individuals associated with the client.

(c) When a licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or employee is engaged to prepare a married couple's joint tax return, both spouses are considered to be clients, even if the licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or employee was engaged by one spouse and deals exclusively with that spouse.

Accordingly, if the married couple is undergoing a divorce and one spouse directs the licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or employee to withhold joint tax information from the other spouse, the licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or employee shall provide the information to both spouses, in compliance with this rule. The licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or employee should consider reviewing the legal implications of such disclosure with an attorney and any responsibilities under any applicable tax performance standards promulgated by the United States Department of Treasury, Internal Revenue Service.

This rule also applies to confidential communications and information obtained in the course of professional tax compliance services unless state or federal tax laws or regulations require or permit use or disclosure of such information.

Consents may include those requirements of Treasury Circular 230 and IRC Sec. 7216 for purposes of this rule, provided the intended recipients are specifically and fully identified by full name, address, and other unique identifiers.

(4) **Disclosing information to third-party service providers:** Licensees, CPA-Inactive certificate holders, or nonlicensee firm owners must do one of the following before disclosing confidential client information to third-party service providers:

~~(a) Enter into a contractual agreement with the third-party service provider to assist in providing the professional services to maintain the confidentiality of the information and provide a reasonable assurance that the third-party service provider has appropriate procedures in place to prevent the unauthorized release of confidential information to others. The nature and extent of procedures necessary to obtain reasonable assurance depends on the facts and circumstances, including the extent of publicly available information on the third-party service provider's controls and procedures to safeguard confidential client information; or~~

~~(b) Obtain specific consent from the client before disclosing confidential client information to the third-party service provider.~~

~~(5) Disclosure of client records in the course of a firm sale, or transfer upon death of a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner.~~

~~A licensee, CPA-Inactive certificate holder, or nonlicensee firm owner, or the successor in interest of a deceased licensee, CPA-Inactive certificate holder, or nonlicensee firm owner, that sells or transfers all or part of a practice to another person, firm, or entity (successor firm) and will no longer retain ownership in the practice must do all of the following:~~

~~(a) Submit a written request to each client subject to the sale or transfer, requesting the client's consent to transfer its files to the successor firm or other entity and notify the client that its consent may be presumed if it does not respond to the licensee, CPA-Inactive certificate holder, or nonlicensee firm owner's request within a period of not less than ninety days, unless prohibited by law. The licensee, CPA-Inactive certificate holder, or nonlicensee firm owner, or successor in interest of a deceased firm owner, should not transfer any client files to the successor firm until either the client's consent is obtained or the ninety days has lapsed, whichever is shorter. The licensee, CPA-Inactive certificate holder, or nonlicensee firm owner must retain evidence of consent, whether obtained from the client or presumed after ninety days.~~

~~(b) It is permissible for the successor in interest of a deceased licensee, CPA-Inactive certificate holder, or nonlicensee firm owner to contract with a responsible custodian to securely store client records until such time as consent or transfer has been obtained.~~

~~(6) This rule does not:~~

~~(a) Affect in any way the obligation of those persons to comply with a lawfully issued subpoena or summons;~~

~~(b) Prohibit disclosures in the course of a quality review of a licensee's attest, compilation, or other reporting services governed by professional standards;~~

~~(c) Preclude those persons from responding to any inquiry made by the board or any investigative or disciplinary body established by local, state, or federal law or recognized by the board as a professional association; or~~

~~(d) Preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of the professional practice of public accounting of any such persons.)~~ (1) A licensee in public practice shall not disclose any confidential client information without the specific consent of the client.

(2) This rule does not:

(a) Affect in any way the obligation of those persons to comply with a disclosure required by law or a lawfully issued subpoena or summons;

(b) Prohibit disclosures in the course of a quality review of a licensee's attest, compilation, or other reporting services governed by professional standards;

(c) Preclude those persons from responding to any inquiry made by the board or any investigative or disciplinary body established by local, state, or federal law or recognized by the board as a professional association; or Board AICPA Rules;

(d) Preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of the professional practice of public accounting of any such persons.

(3) It is permissible for the successor in interest of a deceased or incapacitated licensee to contract with a responsible custodian to securely store client records until such time as consent to transfer records has been obtained.

(4) For the purposes of this rule, "licensees" includes licensees, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.

REPEALER

The following section of the Washington Administrative Code is repealed:

WAC 4-30-051 Client records.

WAC 4-30-052 ((What acts are considered discreditable?)) Acts discreditable. ((Licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons must not:

(1) Commit, or allow others to commit in their name, any act that reflects adversely on their fitness to represent themselves as a CPA, CPA-Inactive certificate holder, CPA firm, or a firm owner;

(2) Seek to obtain clients by the use of coercion, intimidation or harassing conduct; or

(3) Permit others to carry out on their behalf, either with or without compensation, acts which violate the rules of conduct.)) (1) A licensee shall not commit an act discreditable to the profession.

(2) For the purposes of this rule, "licensees" includes licensees, licensees with an inactive status, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.

WAC 4-30-054 ~~((What are the limitations on))~~ **Advertising and other forms of solicitation(?)**. ~~((Licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons must not make false, fraudulent, misleading, deceptive or unfair statements or claims regarding their services. Examples of such statements or claims include, but are not limited to, statements or claims which:~~

- ~~(1) Contain a misrepresentation of fact;~~
 - ~~(2) Fail to make full disclosure of relevant facts;~~
 - ~~(3) Imply your professional services are of an exceptional quality, which is not supported by verifiable facts;~~
 - ~~(4) Create false expectations of favorable results;~~
 - ~~(5) Imply educational or professional attainments, specialty designations, or licensing recognition not supported in fact; or~~
 - ~~(6) Represent that professional services will be performed for a stated fee when this is not the case, or do not disclose variables that may reasonably be expected to affect the fees that will be charged.)~~
- (1) A licensee in public practice shall not seek to obtain clients by advertising or other forms of solicitation in a manner that is false, misleading, or deceptive. Solicitation by the use of coercion, over-reaching, or harassing conduct is prohibited.

(2) For the purposes of this rule, "licensees" includes licensees, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW 18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.

WAC 4-30-056 (~~What are the limitations regarding individual and firm names?~~) Form of organization and name. ((A firm name that does not consist of the name(s) of one or more present or former owners must be approved in advance by the board as not being deceptive or misleading.

~~Misleading or deceptive firm names are prohibited. The following are examples of misleading firm names. The board does not intend this listing to be all inclusive. The firm name:~~

~~(1) Implies it is a legal entity when it is not such an entity (as by the use of the designations "P.C.," "P.S.," "Inc. P.S.," or "L.L.C.");~~

~~(2) Implies the existence of a partnership when one does not exist;~~

~~(3) Includes the name of a person who is neither a present nor a past owner of the firm; or~~

~~(4) Implies educational or professional attainments, specialty designations, or licensing recognition not supported in fact.~~

~~A licensee may not operate under an alias, a firm name, title, or "DBA" that differs from the firm name that is registered with the board. A CPA or a CPA-Inactive certificate holder may not use the title in association with a name that is not registered with the board.)~~ (1) A licensee may practice public accounting only in a form of organization permitted by law or regulation.

(2) A firm name that does not consist of the name(s) of one or more present or former owners must be approved in advance by the board as not being deceptive or misleading.

(3) Misleading or deceptive firm names are prohibited. The following are examples of misleading firm names. The board does not intend this listing to be all inclusive. The firm name:

(a) Implies it is a legal entity when it is not such an entity (as by the use of the designations "P.C.," "P.S.," "Inc. P.S.," or "L.L.C.");

(b) Implies the existence of a partnership when one does not exist;

(c) Includes the name of a person who is neither a present nor a past owner of the firm;

(d) Implies educational or professional attainments, specialty designations, or licensing recognition not supported in fact; or

(e) Includes the terms "& Company", "& Associate", or "Group," but the firm does not include, in addition to the named partner, shareholder, owner, or member, at least one other unnamed partner, shareholder, owner, member, or staff employee.

(4) Licensed firms and unlicensed firms.

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

(b) A firm not required to be licensed may not operate under an alias, a firm name, title, or "DBA" that differs from the firm name that is registered with the secretary of state and/or the department of revenue.

(5) For the purposes of this rule, "licensees" includes licensees, CPA firms, nonlicensee firm owners, employees of such persons, out-of-state individuals with practice privileges under RCW

18.04.350(2), and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195.

~~WAC 4-30-058 ((Does the board authorize the use of any other titles or designations?))~~ Other authorized titles. ((Yes. RCW 18.04.350(14), Practices not prohibited, authorizes the board to allow the use of other titles (designations) if the individual using the title or designation is authorized at the time of use by a nationally recognized entity sanctioning the use of board authorized titles or designations. Accordingly, the board authorizes the use of the following titles and designations:

~~(1) Designations or titles authorized by the American Institute of Certified Public Accountants (AICPA);~~

~~(2) Designations or titles authorized by the Accreditation Council for Accountancy and Taxation located in Alexandria, Virginia, or its successor:~~

- ~~• "Accredited Business Accountant" or "ABA";~~
- ~~• "Accredited Tax Preparer" or "ATP"; and~~
- ~~• "Accredited Tax Advisor" or "ATA."~~

~~(3) Designations or titles authorized by the Certified Financial Planner Board of Standards in Denver, Colorado, or its successor:~~

- ~~• "Certified Financial Planner" or "CFP."~~

~~These authorized designations relate to title use only, are not limited to individuals who have held or are holding a license or certificate under the act, and do not authorize these other designated individuals to use the title "certified public accountant" or "CPA," or "CPA-inactive.")~~ (1) The board allows the use of other titles by any person regardless of whether the person has been granted a certificate or holds a license if the person using the titles or designations is authorized at the time of use by a nationally recognized entity sanctioning the use of board authorized titles.

(2) Nothing in this chapter prohibits the use of the title "accountant" by any person regardless of whether the person holds a license under this chapter.

(3) Nothing in this chapter prohibits the use of the title "enrolled agent" or the designation "EA" by any person regardless of whether the person holds a license under this chapter if the person is properly authorized at the time of use to use the title or designation by the Internal Revenue Service (IRS).

(4) The board also authorizes titles and designations authorized by:

(a) The American Institute of Certified Public Accountants (AICPA);

(b) The Association of International Certified Professional Accountants (AICPA);

(c) The Institute of Management Accounts (IMA);

(d) The Accreditation Council for Accountancy and Taxation; and

(e) Certified Financial Planner Board of Standards (CFP Board).

(5) These authorized designations relate to title use only, are not limited to, individuals who have held or are holding a license under the act, and do not authorize these other designated individuals to use the title "certified public accountant" or "CPA," or "CPA-inactive."

(6) The board further authorizes the use of the designation "CPA retired" in this state by those individuals who, upon notice to the board to retire a license, meet the following criteria:

((*) (a) Has reached (~~(sixty)~~) 60 years of age and holds an active license in good standing; or

((*) (b) At any age, has held an active license in good standing, not suspended or revoked, to practice public accounting in any state for a combined period of not less than (~~(twenty)~~) 20 years.



PROPOSED RULE MAKING

CR-102 (December 2017) (Implements RCW 34.05.320)

Do NOT use for expedited rule making

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: November 08, 2022

TIME: 12:37 PM

WSR 22-23-043

Agency: Board of Accountancy

Original Notice

Supplemental Notice to WSR _____

Continuance of WSR _____

Preproposal Statement of Inquiry was filed as WSR 22-16-094 ; or

Expedited Rule Making--Proposed notice was filed as WSR _____; or

Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or

Proposal is exempt under RCW _____.

Title of rule and other identifying information: (describe subject) WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?

Hearing location(s):

Date: Time: Location: (be specific) Comment:

Date:	Time:	Location: (be specific)	Comment:
January 27, 2023	9:00 A.M.	Radisson Hotel Seattle Airport Orcas Room 18118 International Blvd Seattle, WA 98188 or Microsoft Teams Meeting The link to join the meeting will be available on the Board's website approximately 2 weeks before the hearing date at: https://acb.wa.gov/next-board-meeting . A phone number will be provided as well in case you are unable to attend online.	

Date of intended adoption: January 27, 2023 (Note: This is NOT the effective date)

Submit written comments to:

Name: Kirsten Donovan, Rules Coordinator

Address: P.O. Box 9131
Olympia, WA 98507

Email: Kirsten.donovan@acb.wa.gov

Fax: 360-664-9190

Other:

By (date) January 25, 2023

Assistance for persons with disabilities:

Contact Kirsten Donovan, Rules Coordinator

Phone: 360-664-9191

Fax: 360-664-9190

TTY: 771

Email: Kirsten.donovan@acb.wa.gov

Other:

By (date) January 25, 2023

Purpose of the proposal and its anticipated effects, including any changes in existing rules: The Board of Accountancy proposes amending WAC 4-30-060 to: (1) Change the number of college credits required to sit for the Uniform CPA Examination to 120 semester credits (180 quarter credits) (2) Rename the rule.

Reasons supporting proposal: See purposes above

Statutory authority for adoption: RCW 18.04.055

Statute being implemented: RCW 18.04.055

Is rule necessary because of a:

- Federal Law? Yes No
Federal Court Decision? Yes No
State Court Decision? Yes No

If yes, CITATION:

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization) Board of Accountancy Private
 Public
 Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659
Implementation:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659
Enforcement:	Michael J. Paquette, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 485-1659

Is a school district fiscal impact statement required under RCW 28A.305.135? Yes No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:

Name:
Address:
Phone:
Fax:
TTY:
Email:
Other:

Is a cost-benefit analysis required under RCW 34.05.328?

Yes: A preliminary cost-benefit analysis may be obtained by contacting:

Name:

Address:

Phone:

Fax:

TTY:

Email:

Other:

No: Please explain: The Board of Accountancy is not a listed agency in RCW 34.05.328(5)(a)(i).

Regulatory Fairness Act Cost Considerations for a Small Business Economic Impact Statement:

This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see chapter 19.85 RCW). Please check the box for any applicable exemption(s):

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.061 because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.

Citation and description:

This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by RCW 34.05.313 before filing the notice of this proposed rule.

This rule proposal, or portions of the proposal, is exempt under the provisions of RCW 15.65.570(2) because it was adopted by a referendum.

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(3). Check all that apply:

RCW 34.05.310 (4)(b)
(Internal government operations)

RCW 34.05.310 (4)(e)
(Dictated by statute)

RCW 34.05.310 (4)(c)
(Incorporation by reference)

RCW 34.05.310 (4)(f)
(Set or adjust fees)

RCW 34.05.310 (4)(d)
(Correct or clarify language)

RCW 34.05.310 (4)(g)
((i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit)

This rule proposal, or portions of the proposal, is exempt under RCW ____.

Explanation of exemptions, if necessary:

COMPLETE THIS SECTION ONLY IF NO EXEMPTION APPLIES

If the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

No Briefly summarize the agency's analysis showing how costs were calculated. No additional costs are associated with these changes.

Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses, and a small business economic impact statement is required. Insert statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

Name:

Address:

Phone:

Fax:

TTY:

Email:

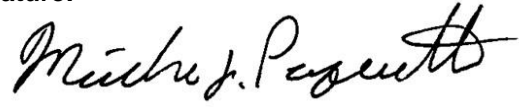
Other:

Date: 11/8/2022

Name: Michael J. Paquette, CPA

Title: Executive Director

Signature:

A handwritten signature in black ink, reading "Michael J. Paquette". The signature is written in a cursive style with a large, stylized 'M' and 'P'.

WAC 4-30-060 (~~(What are the education requirements to qualify to apply for the CPA examination?)~~) **Education requirements.** (1) **Education requirements to sit for the exam:** (~~(Effective July 1, 2000,)~~) To apply for the CPA examination you must have completed(~~(+~~

~~(a))~~) at least (~~(one hundred fifty))~~ 120 semester hours (~~((two hundred twenty-five))~~) 180 quarter hours) of college education(~~(7))~~; including(~~(+~~

~~(b))~~), a baccalaureate or higher degree; and (~~(+e))~~) an accounting major or concentration as defined as at least:

~~((+i))~~) (a) Twenty-four semester hours (~~((thirty-six))~~) 36 quarter hours) or the equivalent in accounting subjects of which at least (~~((fifteen))~~) 15 semester hours must be at the upper level or graduate level (an upper level course is defined as a course that frequently carries completion of a lower level course(s) as a prerequisite); and

~~((+ii))~~) (b) Twenty-four semester hours (~~((thirty-six))~~) 36 quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.

(2) (~~(One hundred eighty-day provision:~~ If you expect to meet the education requirements of this section within one hundred eighty days following the examination, you will be eligible to take the CPA examination provided you submit a signed Certificate of Enrollment from the educational institution in which you are enrolled stating that you will meet the board's education requirements within one hundred eighty days following the day you first sit for any one section of the examination. If you apply for the exam using the one hundred eighty-day provision, then within two hundred ten days of first sitting for any section of the exam, you must provide the examination administrator complete documentation demonstrating that you met the board's education requirements within one hundred eighty days of first sitting for any one section of the exam. If you do not provide such documentation within the required two hundred ten-day time period, your exam score(s) will not be released and you will not be given credit for any section(s) of the examination. Applicants failing to provide such documentation must reapply as a first-time applicant.)) **Education re-**

requirements to apply for a CPA license: To apply for the CPA license you must have completed at least 150 semester hours (225 quarter hours) of college education; including, a baccalaureate or higher degree; and an accounting major or concentration as defined as at least:

(a) Twenty-four semester hours (36 quarter hours) or the equivalent in accounting subjects of which at least 15 semester hours must be at the upper level or graduate level (an upper level course is defined as a course that frequently carries completion of a lower level course(s) as a prerequisite); and

(b) Twenty-four semester hours (36 quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.

(3) **Education obtained outside the United States:** If you obtained all or a portion of your education outside the United States you must have your education evaluated by a board approved foreign education credential evaluation service. The board will establish the criteria for board approval of foreign education credential evaluation services. The board does not provide education credential evaluation services.

(4) **Semester versus quarter hours:** As used in these rules, a "semester hour" means the conventional college semester hour. Your quarter hours will be converted to semester hours by multiplying them by two-thirds.

(5) **Accreditation standards:** For purposes of this rule, the board will recognize colleges and universities which are accredited in accordance with (a) through (c) of this subsection.

(a) The college or university must be accredited at the time your education was earned by a regionally or nationally accrediting agency recognized by the board.

(b) If an institution was not accredited at the time your education was earned but is so accredited at the time your application is filed with the board, the institution will be deemed to be accredited for the purpose of (a) of this subsection provided that it:

(i) Certifies that your total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and

(ii) Furnishes the board satisfactory proof, including college catalogue course numbers and descriptions, that the preaccrediting courses used to qualify you for a concentration in accounting are substantially equivalent to postaccrediting courses.

(c) If your degree was received at an accredited college or university as defined by (a) or (b) of this subsection, but the educational program which was used to qualify you for a concentration in accounting included courses taken at nonaccredited institutions, either before or after graduation, such courses will be deemed to have been taken at the accredited institution from which your degree was received, provided the accredited institution either:

(i) Has accepted such courses by including them in its official transcript; or

(ii) Certifies to the board that it will or would accept such courses for credit toward graduation.

(6) **Alternative to accreditation:** If you graduated from a degree-granting institution that was not accredited at the time your degree was received or at the time your application was filed, you will be deemed to be a graduate of an accredited college or university if a credentials evaluation service approved by the board certifies that your degree is equivalent to a degree from an accredited college or university as defined in subsection (5) of this section. The board does not provide education credential evaluation services.

P.O. Box 50628
Bellevue, Washington 98015
Phone (425) 641-2992
Fax (866) 792-5546
mark@markhugh.com

November 22, 2022

Kirsten Donovan
Rules Coordinator
Washington State Board of Accountancy
P.O. Box 9131
Olympia, WA 98507-9131

Re: Public comment on client records rule revisions

Dear Kirsten,

Although I am currently a member of the Washington State Board of Accountancy, the purpose of this letter is to provide public comment in my role as a private citizen and member of the public on the proposed revisions to Board rules, specifically those that relate to client records.

I support the Board's proposed revisions, as they are in the best interests of both the profession and the public.

The most substantive proposed change is that AICPA interpretation ET Section 1.400.200 would narrowly allow a licensee to withhold licensee prepared records for a completed and issued work product, or a completed work product, if fees are due the licensee for that specific work product.

There cannot be any reasonable public interest protection to allow the public to breach their agreements for professional services and still obtain licensee prepared records or licensee prepared work products without payment of agreed upon fees for that specific work product. To do otherwise would punish only those that in good faith complied with their agreements and reward only bad actors that breached theirs.

Client record issues are rarely about fees but almost always about tax returns. The Board's proposed revisions would also align the Board with federal requirements in Department of the Treasury Circular 230, which governs practice before the IRS.

Section 10.28 of Circular 230 notes that client original records and any copies of completed and issued work products must be provided regardless, but other documents and records are not required to be returned if the

Washington State Board of Accountancy
Public comment
November 22, 2022
Page 2

practitioner is withholding such document pending the client's performance of its contractual obligation to pay fees with respect to such document.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Hugh", with a long horizontal stroke extending to the right.

Mark Hugh

From: [Greg Railsback](#)
To: [Donovan, Kirsten \(ACB\)](#)
Subject: RE: Proposed Amendment WAC 4-30-060
Date: Wednesday, December 14, 2022 9:27:06 AM
Attachments: [image001.png](#)

External Email

Kirsten,

Thank you for the clarification as this was not clear from what was published in the WSCPA magazine. I would actually like to withdraw my support for this proposal. I don't think it really accomplishes anything of substance by allowing students to sit for the exam after completing 120 hours, but still require 150 hours to obtain your license. There is already the ability to start sitting for the exam 6 months prior to obtaining the 150 hours and I don't know of many people who have take advantage of that option. I think modifying the rule will only serve to create more confusion among potential candidates.

I would really like to see the 150 hour requirement to obtain your license be rescinded as those additional 30 hours accomplish very little except to make public accounting a less attractive profession. Instead of spending the time obtaining an additional 30 credit hours that time would be better spent getting actual work experience. If it were up to me, I would reduce the education requirement to 120 hours and require two years of experience in order to get licensed. The demand for our services is at unprecedented levels and the lack of qualified staff is resulting in wage growth that is outpacing inflation and that cost is being passed on to the client.

I was at an industry conference last month in Washington, DC and several firm leaders I talked with have starting hiring new staff with 120 hours and encouraging them to become an enrolled agent and forgo the additional year of college. I have always advocated for new professionals to obtain their CPA license, but we are having to consider other options in order to be able to staff our firm to meet the demand for our services.

Warmest Regards,

Greg

Gregory M. Railsback, CPA PFS CFP® MBA
Managing Partner



7700 NE Greenwood Drive, Suite 260 Vancouver, WA 98662

Phone: 360-356-3820 **Fax:** 360-558-7430 **Email:** Greg@rg.cpa **Web:** www.rg.cpa

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From: Donovan, Kirsten (ACB) <kirsten.donovan@acb.wa.gov>

Sent: Wednesday, December 14, 2022 7:27 AM

To: Greg Railsback <greg@rg.cpa>

Subject: RE: Proposed Amendment WAC 4-30-060

Hello Greg,

Thank you for your comments. I will include them for Board Member review at the January 27, 2023, rules hearing.

I do want to point out that the proposed rule change will still require individuals to obtain 150 semester hours of college education to qualify for CPA licensure. The reduction to 120 semester hours is strictly to qualify to sit for the CPA Exam.

Please let me know if you have any questions.

Regards,

Kirsten Donovan

(she/her/hers)

Board Clerk

Washington State Board of Accountancy (ACB)

(360) 664-9191

If you wish to take a short survey about the service we provided, please click [HERE](#)

Please be advised: The Washington State Board of Accountancy is required to comply with the Public Records Act, Chapter 42.56 RCW. The information you submit to the Board may ultimately be subject to disclosure as a public record.

From: Greg Railsback <greg@rg.cpa>

Sent: Tuesday, December 13, 2022 8:43 AM

To: Donovan, Kirsten (ACB) <kirsten.donovan@acb.wa.gov>

Subject: Proposed Amendment WAC 4-30-060

External Email

Kirsten,

I wanted to offer my support for the proposed amended to WAC 4-30-060 that would reduce the number of college credits to sit for the Uniform CPA exam from 150 to 120 semester credits. As a firm leader the additional 30 semester credits doesn't make a candidate more valuable to a firm or the clients we serve. The challenge in passing the CPA exam continues to provide a sufficient barrier to entering the profession. The additional financial burden of obtaining the additional 30 credits is significant for many students. At a recent industry conference one of the presenters shared that only 7% of accounting graduates come out of schools on the West Coast, which is not sufficient to meet the market demand. The shortage of new accounting graduates is resulting in significant salary increases and ultimately those costs are passed on to the client.

Warmest Regards,

Greg

Gregory M. Railsback, CPA PFS CFP® MBA
Managing Partner



7700 NE Greenwood Drive, Suite 260 Vancouver, WA 98662

Phone: 360-356-3820 **Fax:** 360-558-7430 **Email:** Greg@rg.cpa **Web:** www.rg.cpa

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From: [Steve Jankowiak](#)
To: [Donovan, Kirsten \(ACB\)](#)
Subject: RE: Proposed Change to WAC 4-30-060
Date: Wednesday, December 14, 2022 8:23:11 AM

External Email

Well in that case, it's a step in the right direction but doesn't go far enough. Colleges have record low enrollment of accounting majors and the accounting firms (I was in public for 25 years until I left for industry a couple of months ago) is starved for staffing.

Thanks for replying.

Steve Jankowiak, CPA
Controller
Benaroya Research Institute at Virginia Mason
1201 Ninth Avenue | Seattle, WA 98101-2795
p 206-287-1005 | f 206-342-6580
sjankowiak@BenaroyaResearch.org

From: Donovan, Kirsten (ACB) <kirsten.donovan@acb.wa.gov>
Sent: Wednesday, December 14, 2022 7:34 AM
To: Steve Jankowiak <SJankowiak@benaroyaresearch.org>
Subject: RE: Proposed Change to WAC 4-30-060

Hello Steve,

Thank you for your comments. I will include them for Board Member review at the January 27, 2023, rules hearing.

I do want to point out that the proposed rule change will still require individuals to obtain 150 semester hours of college education to qualify for CPA licensure. The reduction to 120 semester hours is strictly to qualify to sit for the CPA Exam.

Please let me know if you have any questions.

Regards,

Kirsten Donovan
(she/her/hers)
Board Clerk
Washington State Board of Accountancy (ACB)
(360) 664-9191

If you wish to take a short survey about the service we provided, please click [HERE](#)

Please be advised: The Washington State Board of Accountancy is required to comply with the Public Records Act, Chapter 42.56 RCW. The information you submit to the Board may ultimately be subject to disclosure as a public record.

From: Steve Jankowiak <SJankowiak@benaroyaresearch.org>

Sent: Monday, December 12, 2022 8:48 AM

To: Donovan, Kirsten (ACB) <kirsten.donovan@acb.wa.gov>

Subject: Proposed Change to WAC 4-30-060

External Email

Hello,

I was very pleased with the proposed change to scale back the education requirement to sit for the CPA exam to 120 hours. The 150 hour rule was ill considered at the time it was implemented and the results have caused a lot of difficulty in recruiting the next generation of CPA's. I heartily endorse the proposed change.

Regards,

Steve Jankowiak, CPA
Controller
Benaroya Research Institute at Virginia Mason
1201 Ninth Avenue | Seattle, WA 98101-2795
p 206-287-1005 | f 206-342-6580
sjankowiak@BenaroyaResearch.org

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STATE OF WASHINGTON
Board of Accountancy
 PO Box 9131 • Olympia WA 98507-9131
 (360) 753-2586 • www.acb.wa.gov

OFFICE OF THE CODE REVISER
 STATE OF WASHINGTON
 FILED

DATE: November 04, 2022
TIME: 4:11 PM

WSR 22-23-026

Semi-Annual Rules Development Agenda
 January 2023 through June 2023

The Washington State Board of Accountancy’s semi-annual, rules development agenda follows for publication in the Washington State register under RCW 34.05.314.

This agenda is for information purposes, and the noted dates of anticipated activity are estimates. Additional rule development activity not on the agenda may occur as conditions warrant.

If you have questions about this rule development agenda, please contact:

Michael J. Paquette, CPA, Executive Director
 PO Box 9131
 Olympia, WA 98507-9131
 Phone: (360) 586-0952; Email: mike.paquette@acb.wa.gov

WAC Citation	Subject Matter	Anticipated Activity Dates		
		Preproposal (CR-101)	Proposed (CR-102) or Expedited (CR-105)	Permanent (CR-103)
WAC 4-30-010	Definitions	August 2022	November 2022	February 2023
WAC 4-30-040	What are the requirements concerning integrity and objectivity?	March 2022	November 2022	February 2023
WAC 4-30-042	When is independence required?	March 2022	November 2022	February 2023
WAC 4-30-044	What restrictions govern commissions, referral, and contingent fees?	March 2022	November 2022	February 2023
WAC 4-30-045	Commission and referral fees. (New section)	August 2022	November 2022	February 2023
WAC 4-30-046	What are the requirements concerning competence?	March 2022	November 2022	February 2023
WAC 4-30-048	Compliance is required with which rules, regulations and professional standards?	March 2022	November 2022	February 2023
WAC 4-30-049	Accounting principles. (New section)	August 2022	November 2022	February 2023
WAC 4-30-050	Records and clients confidential information.	March 2022	November 2022	February 2023
WAC 4-30-051	Client records.	March 2022	November 2022	February

				2023
WAC 4-30-052	What acts are considered discreditable?	March 2022	November 2022	February 2023
WAC 4-30-054	What are the limitations on advertising and other forms of solicitation?	March 2022	November 2022	February 2023
WAC 4-30-056	What are the limitations regarding individual and firm names?	March 2022	November 2022	February 2023
WAC 4-30-058	Does the board authorize the use of any other titles or designations?	March 2022	November 2022	February 2023
WAC 4-30-060	What are the education requirements to qualify to apply for the CPA examination?	August 2022	November 2022	February 2023
WAC 4-30-133	Reporting periods, carryback/forward, and limitations on continuing professional education (CPE) credit.	November 2022	February 2023	May 2023



Michael J. Paquette, CPA
Executive Director



PREPROPOSAL STATEMENT OF INQUIRY

CR-101 (October 2017) (Implements RCW 34.05.310)

Do **NOT** use for expedited rule making

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OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: November 04, 2022

TIME: 4:08 PM

WSR 22-23-025

Agency: Board of Accountancy

Subject of possible rule making: WAC 4-30-133 Reporting periods, carry-forward/back, and limitations on continuing professional education (CPE) credit.

Statutes authorizing the agency to adopt rules on this subject: RCW 18.04.055

Reasons why rules on this subject may be needed and what they might accomplish: The rule change is proposed to change the increments in which CPE credit is earned. With the change, CPE credit will be earned in tenths (.1) of hours after the first hour is earned instead of half-hour (.5) increments after the first hour is earned. Five minutes will constitute one-tenth of a CPE hour based on the 50-minute CPE hour.

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies: None

Process for developing new rule (check all that apply):

- Negotiated rule making
- Pilot rule making
- Agency study
- Other (describe)

Interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication by contacting:

	(If necessary)
Name: Kirsten Donovan, Rules Coordinator	Name:
Address: Washington State Board of Accountancy PO Box 9131 Olympia, WA 98507-9131	Address:
Phone: 360-664-9191	Phone:
Fax: 360-664-9190	Fax:
TTY: 1-800-833-6388	TTY:
Email: Kirsten.donovan@acb.wa.gov	Email:
Web site: https://acb.wa.gov	Web site:
Other:	Other:

Additional comments:

Date: November 4, 2022

Name: Michael J. Paquette, CPA,

Title: Executive Director

Signature:

WAC 4-30-133 Reporting periods, carry-forward/back, and limitations on continuing professional education (CPE) credit.

(1) **CPE reporting period** is a calendar year time period beginning in the calendar year a credential is first issued by this board and ending on December 31st of the subsequent third calendar year.

(2) **CPE credit** is given in ~~half-hour~~ increments of tenths of an hour ~~only~~ after the first full CPE credit hour has been earned except for nano learning.

A minimum of fifty minutes of continuous instruction constitutes one CPE credit hour and after the first fifty-minute segment has been earned, ~~twenty~~-five minutes constitutes one-tenth~~half~~ of a CPE credit hour.

CPE credit earned is rounded down to the nearest tenth of an hour.

(3) **Carry-forward:** CPE credit hours you complete during one CPE reporting period cannot be carried forward to the next period.

(4) **Carry-back:** As specified in WAC 4-30-134, CPE credit hours you complete during one CPE reporting period cannot be

carried back to the previous reporting period unless the board has approved a request for extension or has required the carry-back as part of the sanctions for failure to complete required CPE.

(5) **Preparation time for CPE attendance:** Attendees obtain CPE credit only for time spent in instruction; no credit is allowed for preparation time unless the attendee is the discussion leader for the particular CPE segment or program.

(6) **Limitations on CPE credit:** In any given three-year renewal cycle, licensees are limited to the following upper limits of CPE credit for the following formats:

(a) Nano learning, as defined in WAC 4-30-010, is limited to no more than twelve CPE credit hours out of the one hundred twenty CPE credit total as specified in WAC 4-30-134.

(b) No more than sixty hours of CPE can be awarded to any licensee during the three-year reporting period for the sum of:

(i) Service on the Washington state board of accountancy or the board's committees or volunteer service on one of the board approved peer review committees;

(ii) First time instructor/developer of a college or university course;

(iii) First time instructor/developer of a CPE course; and

(iv) Authorship of published articles, books, and other publications relevant to maintaining or improving professional competence.

(c) Service on the Washington state board of accountancy (board) including participation on an approved peer review committee, first time instructor/developer, or authorship of published materials will not count towards the minimum twenty credit hours of CPE required per WAC 4-30-134 during each of the three years of the CPE reporting period.

(7) **Further requirements and clarifications:**

(a) **Self-study programs:** Credit for self-study programs is allowed for reporting purposes on the date you completed the program as established by the course completion certificate provided by the program sponsor.

(i) **Interactive self-study programs:** Interactive means electronic or other delivery formats of CPE in which feedback is provided during the study of the material in a manner to

validate the individual's understanding of the material. The amount of credit allowed for interactive self-study is that which is recommended and documented by the program sponsor on the basis of the average completion time under appropriate "field tests."

(ii) **Noninteractive self-study programs:** The amount of credit allowed for noninteractive self-study is one-half the average completion time as determined and documented by the program sponsor on the basis of appropriate "field tests."

(b) **Instructor, discussion leader, or speaker:** If you serve as an instructor, discussion leader, or speaker at a program which meets the standards of WAC 4-30-132, the first time you present the program you may claim CPE credit hours for both preparation and presentation time. One hour of credit is allowed for each fifty minutes of instruction. Additionally, you may claim credit for actual preparation time up to two times the presentation hours. No credit is allowed for subsequent presentations of a course constituted of substantially the same material.

(c) **Undergraduate and graduate courses:** For both undergraduate and graduate courses one semester credit equals fifteen CPE credit hours and one quarter credit equals ten CPE credit hours.

[Statutory Authority: RCW 18.04.055. WSR 19-16-074, § 4-30-133, filed 7/31/19, effective 1/1/20.]

WASHINGTON STATE BOARD OF ACCOUNTANCY

Unapproved Draft - Minutes of an Annual Meeting of the Board – Unapproved Draft

Time and Place of Meeting	9:00 a.m. – 1:00 p.m. Friday, October 28, 2022 Hybrid Meeting (In person and virtual) In person: Capital Event Center Chehalis A & B Rooms 6005 Tye Drive SW Tumwater, WA 98512 Virtual: Microsoft Teams Meeting
Attendance	<u>Board Members</u> Rajib Doogar, Chair, Public Member Brooke Stegmeier, Vice Chair, CPA Member Jacqueline Meucci, Secretary, CPA Member Mark Hugh, CPA Member Brian R. Thomas, CPA Member Kate Dixon, Public Member Thomas P. Sawatzki, CPA Member Scott S. Newman, Public Member <u>Staff and Advisors</u> Michael Paquette, CPA, Executive Director Jennifer Sciba, Deputy Director Taylor Shahon, CPA, Lead Investigator Leo Roinila, Assistant Attorney General, Board Advisor Kirsten Donovan, Board Clerk Tia Landry, Data and Systems Administrator The Board Chair excused the absence of Tonia L. Campbell, CPA Member.
Call to Order	Board Chair, Rajib Doogar, called the annual meeting of the Board to order at 9:00 a.m.
Minutes – July 29, 2022, Board Meeting	The Board approved the minutes of the July 29, 2022, Board meeting as presented. The Board Members attending virtually authorized the use of their electronic signatures on file at the Board office for the signing of the meeting minutes.
Board Orientation	Mark Hugh reported on the newly developed Board Member training. An experienced Board Member will conduct this training for newly appointed Board Members. This training will be in addition to current training already done by Board staff.

A focus group of Board Members participated in the training and provided feedback to Mark. All thought the training was well put together and will be very helpful to new Board Members.

The Board Chair called for a motion of appreciation for Mark's efforts in developing the training. All Board Members agreed and thanked Mark.

Chair's Report

Election of 2023 Officers – The Board Chair presented the following slate of officers to serve in 2023:

- Chair – Brian Thomas, CPA Member
- Vice Chair – Mark Hugh, CPA Member
- Secretary – Kate Dixon, Public Member

No other nominations were made. The Board cast a unanimous vote for the slate of officers presented.

The newly elected officers will assume their duties on January 1, 2023.

2023 Board Meeting Schedule – The Board established the following schedule for the 2023 Board meetings:

- January 27, 2023 – Radisson Hotel Seattle Airport, Seattle
- April 28, 2023 – Radisson Hotel Seattle Airport, Seattle
- July 21, 2023 – Holiday Inn Express & Suites, Pasco
- October 20, 2023 – Capital Event Center, Tumwater

The meetings will be held as hybrid meetings with the options to attend in person or virtually through Microsoft Teams.

Committee Appointments for 2023

The Board made the following committee appointments for 2023:

- Peer Review Oversight Committee (PROC)
Chair:
Mark Hugh, CPA Member
Members:
Brooke Stegmeier, CPA Member
Tom Sawatzki, CPA Member
Kate Dixon, Public Member
Non-Board Volunteers:
Robert Loe, CPA
Laura Lindal, CPA

Tom Neill, CPA

- Request Oversight Committee (ROC)
Chair:
Scott Newman, Public Member
Members:
Rajib Doogar, Public Member
Tonia Campbell, CPA Member

- Scholarship Oversight Committee (SOC)
Chair:
Tonia Campbell, CPA Member
Members:
Kate Dixon, Public Member
Jackie Meucci, CPA Member

- Board/AICPA Rules Committee (BARC)
Chair:
Brooke Stegmeier, CPA Member
Members:
Brian Thomas, CPA Member
Mark Hugh, CPA Member

The Board/AICPA Rules Clarification Task Force (BARC) was made into the standing committee, Board/AICPA Rules Committee (BARC). The BARC will monitor changes in the AICPA Code of Professional Conduct and determine if those changes affect Board Rules.

Rules Review

WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?

The Executive Director led the discussion on the proposed changes.

The changes will reduce the education requirement to sit for the CPA Exam from 150 semester hours to 120 semester hours of college credits. The education requirement for CPA licensure will remain at 150 hours.

The Board directed staff to file the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board's January meeting.

NASBA Update

The Executive Director reported on the following NASBA activities:

- Upcoming 115th NASBA Annual meeting in San Diego, CA

with expected discussions on:

- CPA Pipeline
- CPA Evolution
- Diversity initiative

At the NASBA Western Regional meeting in June, Brian Thomas was elected as the Pacific Region's representative to serve on the NASBA Nominating Committee. The committee's charge is to nominate officers and directors in accordance with NASBA's Bylaws.

The Board Chair thanked Brian for his participation on the committee.

Legal Counsel's Report

Leo Roinila, the Board's legal counsel, reported on the rule-making process, which is detailed in the RCW 34.05, Administrative Procedures Act and WAC 1-1-21, Office of the Code Reviser, Rule making.

Executive Director's Report

Budget Status

The Executive Director presented the Allotment Expenditure/Revenue BTD Flexible Report, the Certified Public Accountant's Account Fund Balance, and the CPA Scholarship Transfer Account Fund Balance for transactions through September 30, 2022.

The budget is in good shape financially with a projected underspending of \$250,000 for the agency for the biennium.

IT expenses have gone way up with annual licensed software fees now being normal rather than purchasing it outright.

Pro-Equity Anti-Racism (PEAR) Plan

The Executive Director presented and reported on the Board's 2022 PEAR Strategic Action Plan filed with the Office of Equity. The Governor's Executive Order 22-04 outlines the PEAR reporting requirements for all state agencies.

Board Members, Rajib Doogar and Tonia Campbell, joined staff members on the PEAR team to complete the Strategic Action Plan. Rajib commented that he thoroughly enjoyed working with the staff on this hard but rewarding project.

The Board has added a PEAR page to the website. The next steps will be to get more community involvement as the agency moves forward with implementing the current plan and creating new plans.

Board Members thanked the PEAR Team for their hard work.

Residency of Washington Licensees

The Executive Director presented the 2022 Residency of Washington Licensees report. The overall total of licensees has grown; however, the number of resident licensees has decreased, while out-of-state and international licensee numbers have increased.

The Executive Director thanked Mark Hugh for putting the information and report together.

Continuing Professional Education (CPE)

The Executive Director and Deputy Director led the discussion on potential changes to allowable CPE credit increments.

Board Members primarily discussed three options:

- No changes to the rule
- CPE allowed in 5-minute (.1) increments after the first hour is earned
- CPE allowed in 10-minute (.2) increments after the first hour is earned

The Board took a vote on 5-minute (.1) increments which passed (6 – Yay and 2 – Nay).

The Board directed staff to begin the rule making process by filing the CR-101. Proposed changes will allow CPE credit increments in tenths of hours (.1) after the first CPE credit hour is earned instead of half hours. Five minutes will constitute one-tenth of a CPE hour based on the 50-minute CPE hour.

Board Staff

All Board staff attends the Board's Annual meeting each year. Staff not directly involved in the meeting introduced themselves.

- Lori Mickelson – Chief Administration Officer
- Kelly Wulfekuhle – Lead Solutions Analyst
- Anthony Manfre – Licensing Specialist
- Isaac Ross – Communication Consultant

The Executive Director, Deputy Director, and Board Members expressed their appreciation for all staff and the great work they do.

The Board Chair welcomed new Executive Director to the agency.

**Executive
Committee**

The Board Chair reported that the committee members met by Teams meeting and discussed the meeting agenda.

**Peer Review
Oversight
Committee
(PROC)**

Mark Hugh presented the 2022 Quality Assurance Review (QAR) Results report and the PROC report on peer review alternatives.

Mark provided background on the peer review process and issues:

- Peer review ensures the dependability of financial information
- Each firm issuing reports must have another firm review a report during their peer review cycle for meeting AICPA standards
- AICPA standards have become more restrictive to increase quality of reporting
- Smaller firms are leaving the peer review market due to increased costs associated with peer review and more restrictive reporting standards
- Consumers are losing access to CPA firms willing to do audits in smaller markets
- Lack of peer reviewers is creating consumer protection issues

The PROC is looking into a possible alternative to the AICPA peer review program. They are exploring an alternate option for small Washington firms who do reviews or compilations for Washington State clients only. Board Members and others brought up these issues for the PROC to look into:

- Will this cause a firm mobility issue?
- What would be considered a small firm?
- Will professional liability insurance be required?
- Are other Boards doing this?
- Can we right size the evaluation while maintaining professional standards?
- What are other professions doing?

The PROC will spend the next year or so researching this alternative.

**Request
Oversight
Committee
(ROC)**

Tom Sawatzki reported on the 3rd quarter 2022 approval and denials from the committee:

Approved Firm Names:

Accelerate Wealth CPAs, PLLC
WithumSmith+Brown
Friedman LLP

Professional/Educational Organization - Recognition Requests

During the 3rd quarter 2022, the Board received no requests for recognition as an educational organization for purposes of obtaining list requests.

**Scholarship
Oversight
Committee
(SOC)**

Kate Dixon presented the following reports:

- Projected Fund Balance – Washington State Certified Public Accounting Scholarship Program – for the Year Ending September 30, 2023
- Estimated Expenses for Administering the WA Certified Public Accounting Scholarship Program for the Year Ending September 30, 2023

Kate turned to Kimberly Scott, WSCPA President & CEO, for a report on the scholarship fund. Kimberly announced that Monette Anderson was appointed Executive Director of the Washington CPA Foundation. Kimberly provided background for the scholarship fund:

- Legislation passed in 2013 for Board funds to transfer to the Washington CPA Foundation for the purpose of providing scholarships to accounting students enrolled in Washington colleges or universities
- Program started with first scholarships awarded in 2014
- Contract is for 20 years
- Initially the fund balance did not decrease as investment earnings were strong
- Now the fund balance is decreasing as scholarship amounts and numbers have been increased and investment earnings have not been as strong

The Board Chair asked that the SOC be provided with a copy of the investment reports for review. Kimberly will provide the report for the January Board meeting.

**Board/AICPA
Rules
Clarification
Task Force
(BARC)**

Mark Hugh presented the proposed rule language and reported on the outstanding fees survey results. The rule changes are meant to reorganize and make the rules clear. The CPAs who responded to the survey were strongly in favor of the AICPA rule which allows a CPA to withhold work papers for outstanding fees. The draft includes this change.

Board Members discussed this change at length, then voted to move forward with the rule changes as written (6 – Yay; 1 – Nay; and 1 – Abstain).

The Board directed staff to file the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board's January meeting.

Enforcement Report

Enforcement Reports

Taylor Shahon, CPA, Lead Investigator, presented:

- Quarterly Enforcement Report for July 1, 2022, through September 30, 2022
- Twelve-Month Lookback Report for October 1, 2021, through September 30, 2022
- Resolved Complaint Report for periods October 2021 through September 2022 and October 2020 through September 2021
- CBM Report for July 1, 2022, through September 30, 2022

Taylor reported the following on enforcement activities:

- Working with the new Executive Director, Mike Paquette, has been great
- Majority of recent complaints have been on CPAs not responding to clients
- Investigation pages of website have been revised
- WAC 4-30-140 will be mailed with complaint letters
- Caseload is currently at 13 cases
- Typically, more complaints are filed in April, September, and October, which corresponds with tax deadlines

Executive and/or Closed Sessions with Legal Counsel

No executive or closed sessions with legal counsel held.

Public Input

Jeremy Saladino of the Washington Association of Accounting and Tax Professionals (WAATP) asked that WAATP be added to the list of Board allies within the New Board Member training materials.

The training will be updated.

Adjournment

The meeting adjourned at 1:00 p.m.

Secretary

Vice Chair

Member

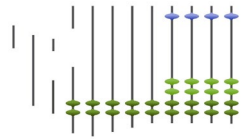
Member

Member

Member

Member

Member



Delegation of Authority

Number: DA-001

**Title: Investigations, Subpoenas, Charges, Emergency Action,
and Settlement Negotiations**

I, Rajib Doogar, Chair of the Washington State Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate to the Executive Director of the Board the authority to:

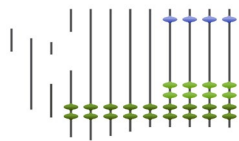
- (a) Investigate alleged violations of chapter 18.04 RCW, chapter 4-30 WAC, or chapter 34.05 RCW, to include issuing subpoenas to compel the attendance of witnesses and require the production of documents, administering oaths or affirmations to witnesses appearing before the Board, taking testimony, and requiring that documentary evidence be submitted.
- (b) Sign, issue, and withdraw Statements of Charges, which seek to suspend, revoke, reprimand, discipline, or impose a fine upon a certified public accountant licensee, a CPA-inactive certificate holder, a licensed CPA firm, a CPA Examination or license applicant, a nonlicensee firm owner, or an unlicensed individual or firm using the CPA title.
- (c) Sign, issue, and withdraw Statements of Intent to Deny, which refuse to issue, reinstate, or renew a certified public accountant license, a CPA-inactive certificate, a CPA firm license, or a nonlicensee firm owner registration.
- (d) Apply to the appropriate court for an order enjoining any acts or practices which constitute, or will constitute, a violation of chapter 18.04 RCW under RCW 18.04.360.
- (e) Issue an order staying the practice rights or use of the restricted title in situations requiring agency action due to an immediate danger to the public health, safety, or welfare. The order will initiate an emergency adjudicative proceeding under RCW 34.05.479.
- (f) Negotiate settlement proposals during investigations of alleged violations of chapter 18.04 RCW or chapter 4-30 WAC. Such proposals are subject to consulting Board member concurrence prior to submission to the Board for consideration.
- (g) Issue Remedial Resolutions and execute voluntary settlements including monetary terms in accordance with the guidelines in Board Policy 2004-1.

This delegation is made under the authority of RCW 18.04.045, 18.04.295, and 18.04.305.

DATED this 28th day of January 2022.



Rajib Doogar, Public Member
Chair, Washington State Board of Accountancy



Board of Accountancy

WASHINGTON STATE

Delegation of Authority

Number: DA-002

Title: Request Oversight and Appeal of Denials

I, Rajib Doogar, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate the following authority:

1. Request Oversight Committee - To the Executive Director with concurrence of one member of the Request Oversight Committee to approve or deny:
 - a) **Firm Names** for compliance with the requirements of RCW 18.04.345 and chapter 4-30 WAC to ensure the Board that the firm name is not deceptive or misleading.
 - b) **Professional/Education Organizations Recognition Requests** for purposes of obtaining lists of individual CPA licensees, CPA-Inactive certificateholders, or nonlicensee firm owners under RCW 42.56.070(8) and chapter 4-30 WAC.
 - c) **Late Fee Waiver Requests** where individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment is a factor under chapter 4-30 WAC.
 - d) **Domestic or foreign education credential evaluation services** applications for approval under chapter 4-30 WAC.

2. Appeal of Denials of Requests for Lists of Individuals – To one member of the Request Oversight Committee not involved in the original review of the request under delegation 2(c) of this delegation, to review and uphold or overturn denials of requests for lists of individuals under RCW 42.56.520. This Request Oversight Committee member shall complete the review by the end of the second business day following the denial. The Committee member’s decision is the final action the Board will take on the matter for purposes of judicial review.

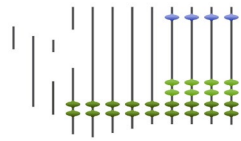
The Executive Director will report all actions taken under this delegation of authority at each quarterly Board meeting to assist the Board in evaluating whether this delegation should be rescinded or modified.

This delegation is made under the authority of RCW 18.04.045 and 42.56.070(8).

DATED this 28th day of January 2022.



Rajib Doogar, Public Member
Chair, Washington State Board of Accountancy



Delegation of Authority

Number: DA-003

Title: Quality Assurance Oversight

I, Rajib Doogar, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate the following authority:

1. **Quality Assurance Oversight** - To the Executive Director, with concurrence of one member of the Board’s Peer Review Oversight Committee, to take those actions deemed appropriate under chapter 4-30 WAC for any CPA firm:
 - That has unresolved matters relating to the peer review process or that has not complied with, or acted in disregard of the peer review requirements; and
 - When issues with a peer review may warrant further action.

To implement this delegation, the Executive Director may execute Respondent Agreements, including one or any combination of the actions deemed appropriate after concurrence of one member of the Board’s Peer Review Oversight Committee. These actions may include requiring the firm/practitioner to:

- Develop and implement quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future.
- Engage a Board-approved licensee to conduct a Board-prescribed on-site field review of the firm’s work product and practices to provide a more in-depth review of the practitioner’s work, previously taken continuing professional education, library and other practice support tools, knowledge, abilities, and system of quality control.
- Submit all or specified categories of its compilation, audit, review, or other attest working papers and reports to a preapproved independent practitioner review prior to issuance.
- Obtain continuing education courses in specific areas.

Uncooperative CPA firms or CPA firms requiring more than one oversight will be subject to investigation and appropriate Board action.

This delegation does not include matters that require Board action such as acceptance of voluntary practice restriction.

2. **Review of Publicly Available Professional Work** – To the Executive Director to review publicly available professional work of licensees under RCW 18.04.045(8) and chapter 4-30 WAC.

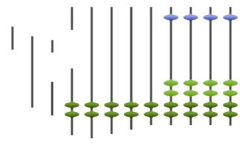
The Executive Director will report all actions taken under this delegation of authority at each quarterly Board meeting to assist the Board in evaluating whether this delegation should be rescinded or modified.

This delegation is made under the authority of RCW 18.04.045.

DATED this 28th day of January 2022.



Rajib Doogar, Public Member
Chair, Washington State Board of Accountancy



Board of Accountancy
WASHINGTON STATE

Delegation of Authority

Number: DA-004

Title: CR-101 Filing

I, Rajib Doogar, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate to the Executive Director the authority to:

File CR-101s with the Office of the Code Reviser to begin the rule-making process for revisions of current rules and proposed new rules.

This delegation is made under the authority of RCW 18.04.045 and RCW 18.04.055.

DATED this 28th day of January 2022.

Rajib Doogar, Public Member
Chair, Washington State Board of Accountancy

To: Washington State Board of Accountancy
From: The Executive Committee (Brian Thomas, Mark Hugh, Kate Dixon)
Re: Board Officers and Board governance
Date: January 27, 2023

As a governmental organization, we do not choose our own Board members. However, we do elect our own officers.

Our current rule on board meetings and officers, WAC 4-30-022 (attached), provides rules for the annual election of officers, but provides no guidance for resignations, vacancies, or removal of officers.

Maintaining three effective Board members on the Executive Committee is in the best interests of Board management, succession planning, and the Board's mission of protecting the Washington public.

Therefore, applying standard nonprofit organization board best practices to Board officers, we suggest amending WAC 4-30-022 to include that:

1. Any officer may resign their position by tendering a written resignation to the Board.
2. If a vacancy shall occur in an officer position by reason of death, resignation, or otherwise, the Board may either elect a member to fill the officer vacancy for the unexpired term or allow the position to remain vacant until the end of that position's term. If the Board decides to elect a member to fill the unexpired term of the officer position, it shall give notice of the Board meeting at which a member is to be elected to fill the vacancy. A majority vote of the entire Board is required to elect a member to fill a vacancy. Partial terms would not count against existing term limits for officers.
3. The removal of any officer shall be by a majority vote of the entire Board, provided such action shall not be taken unless notice of such action and vote has been included in the notice for the Board meeting.

Note any of these actions only affect Board officer positions, for example a member may resign from an officer position but will continue to serve on the Board unless they, at their sole discretion, decide to resign from the Board as well.

Similarly, the removal of an officer does not remove them from the Board unless the Office of Governor chooses to remove them as well.

WAC 4-30-022

What is the board's meeting schedule and how are officers elected?

Regular board meetings begin at 9:00 a.m. on the last Friday of the month in the months of January, April and July or as otherwise determined by the board. The board holds an annual meeting beginning at 9:00 a.m. on the last Friday of October or as otherwise determined by the board.

The board consists of nine members. At the annual meeting the board elects the chair, vice chair, and secretary from its members. The newly elected officers assume the duties of their offices on January 1 following the annual board meeting. Officers serve a term of one year and can be reelected for one additional term.

Either the chair or a quorum of the board has the authority to call meetings of the board. The chair presides at all meetings. In the event of the chair's absence or inability to act, the vice chair presides. The board determines other duties of the officers.

The board's meetings are open public meetings conducted pursuant to chapter [42.30](#) RCW. WAC [4-30-026](#) provides information on how to contact the board's office for meeting times and locations or additional information regarding the board's activities.

Open Public Meetings Act

1



WASHINGTON'S OPEN PUBLIC MEETINGS ACT

- ▶ Passed in 1971
- ▶ Requires meetings to be open to the public, gavel to gavel





Purpose

- ▶ Public agencies of this state exist to aid in the conduct of the people's business
- ▶ Actions are to be taken openly and deliberations conducted openly



Purpose (cont'd)

- ▶ People do not yield their sovereignty to the agencies which serve them
- ▶ People do not give public servants the right to decide what is good for the people to know and what is not good for them to know
- ▶ People remain informed so they may retain control over the instruments they have created



Meetings Shall be Open

- ▶ All *meetings* of the *governing body* of a public agency shall be *open* and *public* and all persons shall be permitted to attend any meeting of the governing body of a public agency, except as otherwise provided in RCW 42.30



What is a Governing Body?

- ▶ Many state and local multi-member boards and commissions, are “governing bod[ies]” of a “public agency” within the meaning of the Act
 - ▶ The Act also applies to any committee of the board or commission when the committee acts on behalf of the board or commission, conducts hearings, or takes testimony or public comment

What is a Meeting?

- ▶ “Meeting” means meetings at which the Board or Commission takes “action”
- ▶ No meeting takes place if the Board or Commission lacks a quorum





Action

- ▶ “Action” means the transaction of the official business of the Board or Commission and includes:
 - ▶ Public testimony
 - ▶ All deliberations
 - ▶ Discussions
 - ▶ Reviews
 - ▶ Evaluations
 - ▶ Final action....

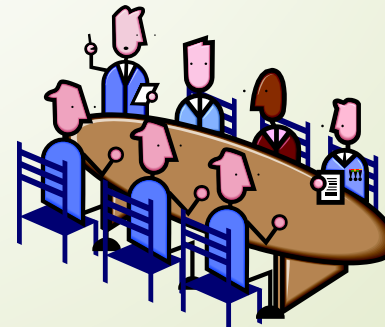
OPMA Applies To:

Multi-member public state and local agencies, such as boards and commissions, as follows:

- Any state board, commission, committee, department, educational institution, or other state agency which is created by or pursuant to statute, other than courts and the legislature.
- Any county, city, school district, special purpose district, or other municipal corporation or political subdivision of Washington.
- Any subagency of a public agency which is created by or pursuant to statute, ordinance, or other legislative act, including but not limited to planning commissions, library or park boards, commissions, and agencies.
- Any policy group whose membership includes representatives of publicly owned utilities formed by or pursuant to the laws of this state when meeting together as or on behalf of participants who have contracted for the output of generating plants being planned or built by an operating agency.

~ RCW 42.30.020

These are the “public agencies” subject to the OPMA.



Governing Body

- ▶ All meetings of the ***governing body*** of a public agency shall be open and public and all persons shall be permitted to attend any meeting of the governing body of a public agency, except as otherwise provided in RCW 42.30.

~ *RCW 42.30.030*



What is a Governing Body?

- ▶ The **multimember board or other policy or rule-making body**

OR

- ▶ Any **committee** of such public agency *when*:
 - ▶ the committee acts on behalf of the governing body,
 - ▶ conducts hearings, or
 - ▶ takes testimony or public comment

~ RCW 42.30.020



What is a Meeting?

- **“Meeting”** means meetings at which the public agency takes **“action”** ~ *RCW 42.30.020*
 - **“Action”** means the **transaction of the official business of the public agency** and includes but is not limited to:
 - Public testimony
 - All deliberations
 - Discussions
 - Considerations
 - Reviews
 - Evaluations
 - Final actions



The requirements of the OPMA are triggered whether or not “final” action is taken. See upcoming slide on “final action.”



- A “meeting” of a governing body occurs when a **majority of its members (quorum) gathers with the collective intent of transacting the governing body’s business.**

~ Citizens Alliance for Property Rights Legal Fund v. San Juan County

“Meeting” (Cont.)

13



- Physical presence not required – a meeting can occur by phone or email.
 
- An exchange of e-mail could constitute a meeting if, for example, a quorum of the members participate in the e-mail exchange & discuss agency business. Simply receiving information without comment is not a meeting.

~ Wood v. Battle Ground School District; Citizens Alliance for Property Rights Legal Fund v. San Juan County
- Does not need to be titled “meeting” – OPMA also applies to “retreats,” “workshops,” “study sessions,” etc.
- No meeting occurs if the governing body lacks a quorum.

“Regular” Meetings



- ▶ **“Regular meetings”** are recurring meetings held in accordance with a periodic schedule by ordinance, resolution, bylaws or other rule.
- ▶ A state public agency must:
 - ▶ Yearly, file with Code Reviser a schedule of regular meetings, including time and place
 - ▶ Publish changes to regular meeting schedule in state register at least 20 days prior to rescheduled date

~ RCW 42.30.070; RCW 42.30.075; RCW 42.30.077



“Special” Meetings

15

- A **“special meeting”** is a meeting that is not a regular meeting (not a regularly scheduled meeting).
- Called by presiding officer or majority of the members
- Notice - timing: 24 hours before the special meeting, written notice must be:
 - Given to each **member** of the governing body (unless waived)
 - Given to each **local newspaper of general circulation, radio, and TV station** which has a notice request on file
 - Posted on the **agency’s website** [with certain exceptions in RCW 42.30.080(2)(b), for example, if the agency does not have a website]
 - Prominently **displayed at the main entrance** of the agency’s principal location and the meeting site (if not that same location)

~ RCW 42.30.080

Public Attendance

- ▶ A public agency can't place conditions on public to **attend** meeting subject to OPMA:
 - ▶ For proceedings governed by OPMA, cannot require people to register their names or other information, complete a questionnaire, or otherwise fulfill any condition precedent to attendance
~ *RCW 42.30.040*
- ▶ Reasonable rules of conduct can be set
- ▶ Cameras and tape recorders are permitted unless disruptive
~ *AGO 1998 No. 15*
- ▶ As of June 9, 2022, the OPMA encourages public agencies to record regular meetings and make those recordings available online for at least six months



Public comment

- ▶ Although, historically, the OPMA did not require governing bodies to receive public comment at their meetings, most public agencies did provide set times in the meeting agendas for public comment
- ▶ Important changes to the Act, effective June 9, 2022, however, now require that an opportunity for public comment be provided at regular meetings where final action is taken
- ▶ Public agencies must also allow members of the public to comment orally or in writing prior to or at all regular meetings

Public comment (CONT.)

- ▶ A public agency need not allow the public to comment at emergency meetings
- ▶ Public comment is also not required, but is strongly recommended, at special meetings, even when final action is taken

Interruptions and Disruptions

- ▶ The OPMA provides a procedure for dealing with situations where a meeting is being interrupted so the orderly conduct of the meeting is unfeasible, and order cannot be restored by removal of the disruptive persons.
- ▶ Meeting room can be cleared and meeting can continue, or meeting can be moved to another location, but final disposition can occur only on matters appearing on the agenda. More details set out in the OPMA.

~ RCW 42.30.050



DISRUPTION

Executive Session

20

- ▶ Part of a regular or special meeting that is closed to the public
- ▶ Limited to specific purposes set out in the OPMA
- ▶ Purpose of the executive session and the time it will end must be announced by the presiding officer before it begins; time may be extended by further announcement
- ▶ Effective June 9, 2022, the OPMA requires that the announced purpose for the executive session be entered into the meeting minutes

~ RCW 42.30.110



Executive Sessions

Specified purposes set out in OPMA.

Includes, for example:

- ▶ National security
- ▶ Real estate
 - ▶ Site selection or acquisition of real estate
 - ▶ Lease or purchase
 - ▶ Public knowledge would likely increase price
 - ▶ Sale or lease
 - ▶ Public knowledge would likely decrease price
 - ▶ Final action selling or leasing public property must be take at open meeting
- ▶ Publicly bid contracts
 - ▶ Review negotiations on performance
 - ▶ Public knowledge would like increase costs
- ▶ Evaluate qualifications of applicant for public employment
- ▶ Meet with legal counsel regarding enforcement actions, litigation or potential litigation
- ▶ Other purposes listed in RCW 42.30.110

~ **RCW 42.30.110**



Penalties for Violating the OPMA

22

- ▶ A court can impose a \$500 civil penalty against each member (personal liability) who knowingly attends a meeting in violation of OPMA; and \$1000 for a subsequent knowing violation.
- ▶ Court will award costs and attorney fees to a successful party seeking the remedy
- ▶ Action taken at meeting can be declared null and void

~ *RCW 42.30.120; RCW 42.30.130; RCW 42.30.060*





To: Washington State Board of Accountancy

From: Peer Review Oversight Committee (PROC) (Brooke Stegmeier, Kate Dixon, Tom Sawatzki, Mark Hugh, Laura Lindal, Robert Loe, Mike Paquette, Jennifer Sciba, Tom Neill)

Re: Peer review alternatives

Date: January 27, 2023

The PROC is continuing to explore alternatives to the AICPA peer review program that would provide smaller Washington CPA firms an alternative process when they perform services for Washington domiciled clients.

We have been unable to locate alternative programs in other states, but have explored two Washington programs, the Board's now eliminated "desk review" process and the "field review" process, which is still an established remedy in WAC 4-30-130(12).

The desk review was eliminated approximately ten years ago when the Board adopted the AICPA program as mandatory. In this program run by the Board, teams of volunteers reviewed the work of firms. The program was resource intensive for the Board but very affordable for participants, which led to participation by small firms that primarily performed compilations and had high failure rates.

The field review process still exists in Board rule which notes that for substandard work identified by peer review, among other remedies, the Board can require the reviewed firm to engage a Board-approved licensee to conduct a Board-prescribed on-site field review of the firm's work product and practices or perform other investigative procedures to assess the degree or pervasiveness of nonconforming work product. The Board-approved licensee engaged by the firm submits a report of the findings to the Board and the cost of the review is at the reviewed firm's expense.

The PROC recognizes that an important part of the relevance of the CPA profession is its ability to perform attest, compilation, and other assurance services. And, protecting the public interest requires balancing regulation with the availability of quality services at all levels in industry and in all communities.

Before proceeding further, the PROC plans to survey licensees about their interest in a peer review alternative, whether licensees would find it useful, whether licensees would utilize it, and whether it would encourage firms no longer performing compilation services for Washington based clients to perform those services in the future.

Request Oversight Committee Report January 2023

Tom Sawatzki, CPA, Chair

During the fourth quarter 2022, the Executive Director and a Consulting Board Member from the Request Oversight Committee took the following action:

Approved Firm Names:

Balance Accounting Group, LLC
Strait Accounting PS.
Mindfully Smart Finance

Professional/Educational Organization – Recognition Requests

During the fourth quarter in 2022, the Board did not receive any requests for recognition as an educational organization or professional association for purposes of obtaining list requests.

Accounting of Receipts and Disbursements
Washington State Certified Public Accounting Scholarship Program
For the Program Year Ending September 30, 2022

January 1, 2022

Beginning Fund Balance	\$	2,876,125
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Receipts

Returned scholarship checks	\$	11,000
Dividend and Interest Income	\$	30,752
Realized and Unrealized Gains/Losses	\$	(592,921)
Total Receipts	\$	(551,169)

Disbursements

WBOA Certified Public Accounting Scholarships		
(20 - \$5,000 & 30 - \$10,000 scholarships awarded) - See next pg. for detail	\$	(400,000)
Management Fees	\$	(7,755)
Total Disbursements	\$	(407,755)

9/30/2022 (Program Year)

Ending Fund Balance	\$	1,917,201
----------------------------	-----------	------------------

WBOA Certified Public Accounting Scholarships

Scholarship Recipients	University	Scholarship Amount
Alexis Marie Rodriguez	Pacific Lutheran University	\$ 5,000
Althea Denise L. Ignacio	University of Washington	\$ 5,000
Amanda Sides	University of Washington Tacoma	\$ 10,000
Annemarie Martin	University of Washington	\$ 10,000
Benjamin Nolan Nelson	University of Washington Bothell	\$ 10,000
Brendan Gillies Bogel	Gonzaga University	\$ 10,000
Brenna McGuinness	Eastern Washington University	\$ 10,000
Catherine Nicole Follett	Gonzaga University	\$ 10,000
Chastity Bryant	University of Washington Tacoma	\$ 10,000
Connor Woodrow Mills	University of Washington	\$ 5,000
Cuilian Jia	University of Washington Tacoma	\$ 10,000
Daniel Borrelli	Washington State University	\$ 5,000
Dyesha Belhumeur	Eastern Washington University	\$ 10,000
Elena Martinez	North Seattle College	\$ 5,000
Emily Kathryn Reid	University of Washington	\$ 10,000
Erin Shelly-Moody	Western Washington University	\$ 5,000
Eshrak Alsinai	University of Washington Tacoma	\$ 10,000
Evandeeep Malhi	Gonzaga University	\$ 5,000
Hallie Chen	University of Washington	\$ 5,000
Hisham Abdus-Salam	Western Washington University	\$ 10,000
Jazmin Nunez Cazares	University of Washington	\$ 5,000
Jeanette Sosa	Western Washington University	\$ 10,000
Jessica Chase	Whitworth University	\$ 5,000
Jorge A. Pantoja III	Eastern Washington University	\$ 10,000
Julie Ulyanchuk	Eastern Washington University	\$ 5,000
Katherin Bennett Gordham	Washington State University	\$ 5,000
Kayla Gout	Gonzaga University	\$ 10,000
Kelli Maunder	Gonzaga University	\$ 5,000
Kelsey Gumm	Gonzaga University	\$ 10,000
Madeline Schiefelbein	Whitworth University	\$ 5,000
Marissa Miyamoto	Gonzaga University	\$ 10,000
Melika Korhani Shirazi	University of Washington Bothell	\$ 10,000
Meredith Clark	Western Governors University	\$ 10,000
Nenneh Y Jalloh	University of Washington Tacoma	\$ 10,000
Nhat Linh Nguyen	Eastern Washington University	\$ 10,000
Nikki Aileen Schroeder	Gonzaga University	\$ 10,000
Oumou Diallo	University of Washington	\$ 10,000
Peiran Liu	University of Washington	\$ 5,000
Peixian Rong	University of Washington Bothell	\$ 5,000
Rachel D Meyer	Golden Gate University	\$ 10,000
Robyn Fietz	Gonzaga University	\$ 10,000
Sally Lynn Benedict	University of Washington Bothell	\$ 5,000
Scott Orvold	University of Washington Tacoma	\$ 10,000
Susan Hess	Western Washington University	\$ 5,000
Sydney Erne	Gonzaga University	\$ 10,000
Tessa Marie Belsher	Washington State University	\$ 5,000
Timothy Andrew Rowe	Eastern Washington University	\$ 10,000
Trang Nguyen	Seattle University	\$ 10,000
Uyen Nguyen	University of Washington	\$ 5,000
Zara Sameer	University of Washington Tacoma	\$ 10,000
Total		\$ 400,000



UBS Client Review

as of December 31, 2022

Branch office:
925 Fourth Avenue
31st & 32nd Floor
Seattle, WA 981041157

Financial Advisor:
VENTOZA MCMILLAN WEALTH
MANAGE
2066288511

Prepared for

Washington CPA Foundation

Accounts included in this review

Account	Name	Type
WX XX297	• WBOA Schlp Fnd	• Portfolio Management Program
Risk profile:	Moderate	
Return Objective:	Current Income and Capital Appreciation	

What's inside

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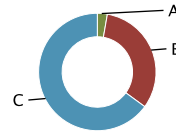


Portfolio review

as of December 31, 2022

Asset allocation review

	Value on 12/31/2022 (\$)	% of Portfolio
A Cash	55,171.57	2.74
US	55,171.57	2.74
US Cash	55,171.57	2.74
B Fixed Income	649,248.94	32.30
US Fixed Income	424,772.58	21.13
Short	147,284.19	7.33
Intermediate	277,488.39	13.80
US Government	162,378.09	8.08
Intermediate	64,453.29	3.21
Other	97,924.80	4.87
US Corporate IG Credit	62,098.27	3.09
Core	62,098.27	3.09
C Equity	1,305,738.82	64.96
US Large Cap	1,097,352.22	54.59
Growth	570,743.80	28.39
Value	464,049.00	23.09
Public Real Estate	62,559.42	3.11
US Small Cap	100,605.72	5.01
Core	100,605.72	5.01
International Developed Markets	107,780.88	5.36
Core	107,780.88	5.36
D Commodities	0.00	0.00
E Non-Traditional	0.00	0.00
F Other	0.00	0.00
Total Portfolio	\$2,010,159.33	100%

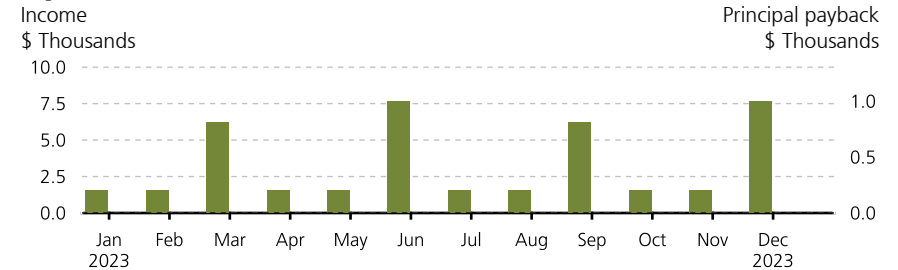


Balanced mutual funds are allocated in the 'Other' category

Summary of gains and losses

	Short term (\$)	Long term (\$)	Total (\$)
2021 Realized gains and losses	0.00	203,840.71	203,840.71
Taxable	0.00	203,840.71	203,840.71
Tax-deferred	0.00	0.00	0.00
2022 Year to date	-1,941.60	37,373.18	35,431.58
Taxable	-1,941.60	37,373.18	35,431.58
Tax-deferred	0.00	0.00	0.00

Expected cash flow



Income

Total taxable income: \$39,841.45
Total expected cash flow: \$39,841.45
Total principal payback: \$0.00

Cash flows displayed account for known events such as maturities and mandatory puts.

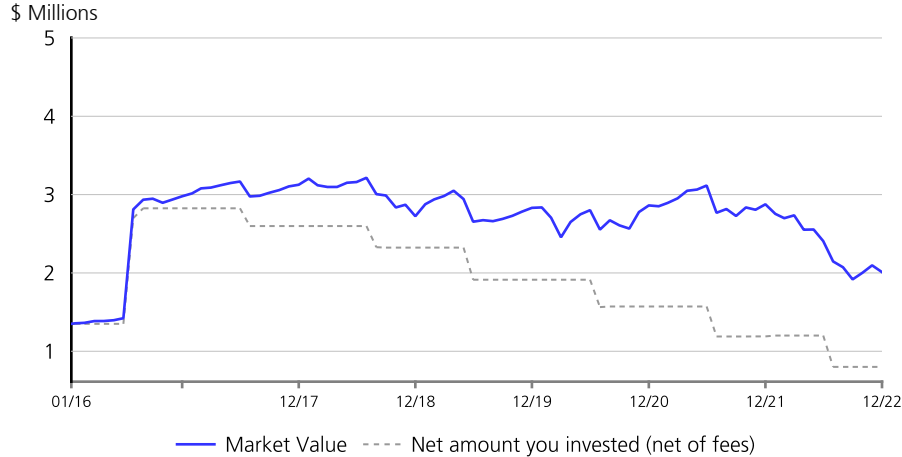
Past performance does not guarantee future results and current performance may be lower/higher than past data presented.



Performance review

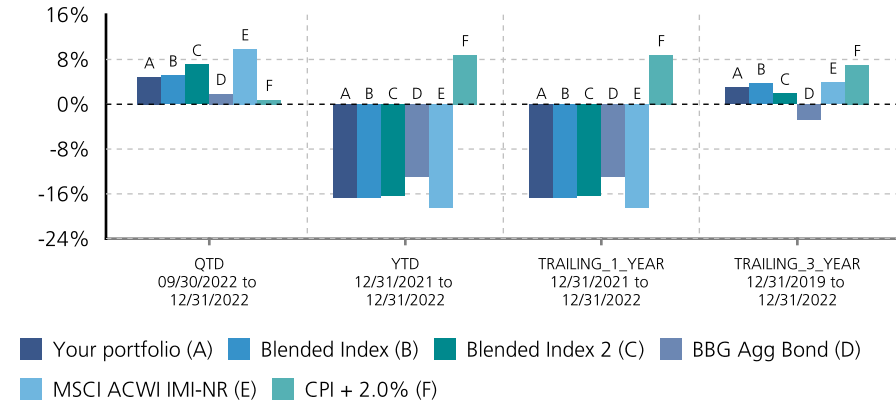
as of December 31, 2022

Sources of portfolio value



Portfolio and selected benchmark returns

Net Time-weighted returns annualized



Portfolio value and investment results

Performance returns (annualized > 1 year)

	QTD 09/30/2022 to 12/31/2022	YTD 12/31/2021 to 12/31/2022	1 Year 12/31/2021 to 12/31/2022	3 Years 12/31/2019 to 12/31/2022
Opening value	1,917,454.68	2,876,139.08	2,876,139.08	2,830,953.27
Net deposits/withdrawals	-1,603.83	-398,358.41	-398,358.41	-1,144,254.60
Div./interest income	10,881.57	41,873.06	41,873.06	126,909.67
Change in accr. interest	0.00	0.00	0.00	0.00
Change in value	83,426.91	-509,494.39	-509,494.39	196,550.99
Closing value	2,010,159.33	2,010,159.33	2,010,159.33	2,010,159.33
Net Time-weighted ROR	4.83	-16.63	-16.63	3.02

Net deposits and withdrawals include program and account fees.

Time weighted rates of return (net of fees)

Performance returns (annualized > 1 year)

	QTD 09/30/2022 to 12/31/2022	YTD 12/31/2021 to 12/31/2022	1 Year 12/31/2021 to 12/31/2022	3 Years 12/31/2019 to 12/31/2022
Your portfolio(%)	4.83	-16.63	-16.63	3.02
Blended Index	5.17	-16.63	-16.63	3.72
Blended Index 2	7.08	-16.32	-16.32	1.92
BBG Agg Bond	1.87	-13.01	-13.01	-2.71
MSCI ACWI IMI-NR	9.84	-18.40	-18.40	3.89
CPI + 2.0%	0.80	8.78	8.78	7.02

Blended Index:01/20/2016 - Current: 60% Russell 1000; 40% BBG US Gvt/Credit **Blended Index 2:Start - Current:** 65% MSCI ACWI IMI-NR; 35% BBG Agg Bond
Past performance does not guarantee future results and current performance may be lower/higher than past data presented.

Asset class performance

as of December 31, 2022

	Value on 12/31/2022	% of Total portfolio	Net time-weighted returns (annualized > 1 year)				Start date
			QTD	YTD	1 Year	For the period of	
			09/30/2022 to 12/31/2022	12/31/2021 to 12/31/2022	12/31/2021 to 12/31/2022	12/31/2019 to 12/31/2022	
Cash	55,171.57	2.74	N/A	N/A	N/A	N/A	Dec 31, 2019
Cash	55,171.57	2.74	N/A	N/A	N/A	N/A	Dec 31, 2019
US	55,171.57	2.74	N/A	N/A	N/A	N/A	Dec 31, 2019
US Cash	55,171.57	2.74	N/A	N/A	N/A	N/A	Dec 31, 2019
Fixed Income	649,248.94	32.30	1.65	-8.85	-8.85	-1.27	Dec 31, 2019
<i>BBG Agg Bond ^v</i>			<i>1.87</i>	<i>-13.01</i>	<i>-13.01</i>	<i>-2.71</i>	<i>Dec 31, 2019</i>
US	649,248.94	32.30	1.65	-8.85	-8.85	-1.27	Dec 31, 2019
US Fixed Income	424,772.58	21.13	1.29	-8.11	-8.11	-1.32	Dec 31, 2019
Short	147,284.19	7.33	0.73	-2.41	-2.41	0.20	Dec 31, 2019
Intermediate	277,488.39	13.80	1.59	-13.07	-13.07	-2.82	Dec 31, 2019
Government	162,378.09	8.08	1.61	-8.51	-8.51	-0.55	Dec 31, 2019
Intermediate	64,453.29	3.21	1.16	-9.51	-9.51	-1.93	Dec 31, 2019
Other	97,924.80	4.87	1.92	-12.54	-12.54	0.79	Dec 31, 2019
Corporate IG Credit	62,098.27	3.09	4.21	-17.91	-17.91	-3.66	Dec 31, 2019
Core	62,098.27	3.09	4.21	-17.91	-17.91	-3.66	Dec 31, 2019
Equity	1,305,738.82	64.96	6.83	-20.93	-20.93	5.34	Dec 31, 2019
<i>MSCI ACWI IMI-NR ^v</i>			<i>9.84</i>	<i>-18.40</i>	<i>-18.40</i>	<i>3.89</i>	<i>Dec 31, 2019</i>
US	1,197,957.94	59.60	5.95	-21.49	-21.49	6.17	Dec 31, 2019
Large Cap	1,097,352.22	54.59	5.93	-21.57	-21.57	6.58	Dec 31, 2019
Growth	570,743.80	28.39	1.49	-30.23	-30.23	7.55	Dec 31, 2019
Value	464,049.00	23.09	12.24	-7.82	-7.82	5.65	Dec 31, 2019
Public Real Estate	62,559.42	3.11	3.73	-26.25	-26.25	1.62	Dec 31, 2019
Small Cap	100,605.72	5.00	6.23	-20.63	-20.63	2.94	Dec 31, 2019
Core	100,605.72	5.00	6.23	-20.63	-20.63	2.94	Dec 31, 2019
International	107,780.88	5.36	17.68	-14.57	-14.57	0.73	Dec 31, 2019
Developed Markets	107,780.88	5.36	17.68	-14.57	-14.57	0.73	Dec 31, 2019
Core	107,780.88	5.36	17.68	-14.57	-14.57	0.73	Dec 31, 2019
Total portfolio	\$2,010,159.33	100%	4.83%	-16.63%	-16.63%	3.02%	Dec 31, 2019

^vThe benchmark shown is for informational purposes only and relates to the historical performance of the index, and not necessarily the performance of the broad asset class or actual investments.

Gross time weighted returns are displayed at the asset class level for advisory accounts not displayed by their manager's strategy

Past performance does not guarantee future results and current performance may be lower/higher than past data presented.



Asset class performance - as of December 31, 2022 (continued)

Benchmarks - Time weighted returns	QTD	YTD	1 Year	For the period of
	09/30/2022 to 12/31/2022	12/31/2021 to 12/31/2022	12/31/2021 to 12/31/2022	12/31/2019 to 12/31/2022
Blended Index	5.17	-16.63	-16.63	3.72
Blended Index 2	7.08	-16.32	-16.32	1.92
BBG Agg Bond	1.87	-13.01	-13.01	-2.71
MSCI ACWI IMI-NR	9.84	-18.40	-18.40	3.89
CPI + 2.0%	0.80	8.78	8.78	7.02

Blended Index:01/20/2016 - Current: 60% Russell 1000; 40% BBG US Gvt/Credit **Blended Index 2:Start - Current:** 65% MSCI ACWI IMI-NR; 35% BBG Agg Bond

Gross time weighted returns are displayed at the asset class level for advisory accounts not displayed by their manager's strategy

Past performance does not guarantee future results and current performance may be lower/higher than past data presented.



Security performance

as of December 31, 2022

	Value on 12/31/2022	% of Total Portfolio	Net time-weighted returns (annualized > 1 year)				Start date
			QTD	YTD	1 Year	For period of	
			09/30/2022 to 12/31/2022	12/31/2021 to 12/31/2022	12/31/2021 to 12/31/2022	12/31/2019 to 12/31/2022	
INVESCO CONSERVATIVE INCOME FUND**	147,284.19	7.33	0.73	0.08	0.08	0.53	Dec 31, 2019
INVESCO QQQ TRUST ETF**	139,264.44	6.93	-0.18	-32.74	-32.74	8.06	Dec 31, 2019
ISHARES 3-7 YEAR TREAS BOND ETF	64,453.29	3.21	1.16	-9.51	-9.51	-1.93	Dec 31, 2019
ISHARES CORE U.S. AGGREGATE BOND ETF	277,488.39	13.80	1.59	-13.07	-13.07	-2.82	Dec 31, 2019
ISHARES IBOXX \$ INVT GRADE CORPORATE BOND ETF	62,098.27	3.09	4.21	-17.91	-17.91	-3.66	Dec 31, 2019
ISHARES MSCI EAFE ETF	107,780.88	5.36	17.68	-14.57	-14.57	0.73	Dec 31, 2019
ISHARES RUSSELL 1000 GROWTH ETF	431,479.36	21.46	2.05	-29.37	-29.37	7.53	Dec 31, 2019
ISHARES RUSSELL 1000 VALUE ETF	464,049.00	23.09	12.24	-7.82	-7.82	5.65	Dec 31, 2019
ISHARES RUSSELL 2000 ETF	100,605.72	5.00	6.23	-20.63	-20.63	2.94	Dec 31, 2019
ISHARES TIPS BOND ETF	97,924.80	4.87	1.92	-12.54	-12.54	0.79	Dec 31, 2019
REAL ESTATE SELECT SECT SPDR ETF	62,559.42	3.11	3.73	-26.25	-26.25	0.64*	Jan 28, 2020
UBS INSURED SWEEP PROGRAM	55,171.57	2.74	N/A	N/A	N/A	N/A	Aug 01, 2022
Total Portfolio	\$2,010,159.33	100%	4.83%	-16.63%	-16.63%	3.02%	Jan 19, 2016

Benchmarks - Annualized time-weighted returns	QTD	YTD	1 Year	For period of
	09/30/2022 to 12/31/2022	12/31/2021 to 12/31/2022	12/31/2021 to 12/31/2022	12/31/2019 to 12/31/2022
Blended Index	5.17	-16.63	-16.63	3.72
Blended Index 2	7.08	-16.32	-16.32	1.92
BBG Agg Bond	1.87	-13.01	-13.01	-2.71
MSCI ACWI IMI-NR	9.84	-18.40	-18.40	3.89
CPI + 2.0%	0.80	8.78	8.78	7.02

Blended Index:01/20/2016 - Current: 60% Russell 1000; 40% BBG US Gvt/Credit **Blended Index 2:Start - Current:** 65% MSCI ACWI IMI-NR; 35% BBG Agg Bond

Past performance does not guarantee future results and current performance may be lower/higher than past data presented.

*Performance is partially available for the selected time period and is based on the performance start date.

** Please note, performance is inclusive of multiple securities.

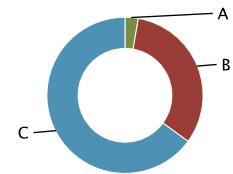
Portfolio holdings

as of December 31, 2022

Summary of Portfolio Holdings

	Cost basis (\$)	Value on 12/31/2022 (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Portfolio
A Cash	55,171.57	55,171.57	0.00	0.00%	0.00	0.00%	2.74%
US	55,171.57	55,171.57	0.00	0.00%	0.00	0.00%	2.74%
US Cash	55,171.57	55,171.57	0.00	0.00%	0.00	0.00%	2.74%
B Fixed Income	711,292.26	649,248.94	-62,043.32	-8.72%	18,138.46	2.79%	32.30%
US Fixed Income	459,758.55	424,772.58	-34,985.97	-7.61%	8,389.31	1.98%	21.13%
Short	148,327.96	147,284.19	-1,043.77	-0.70%	1,755.58	1.19%	7.33%
Intermediate	311,430.59	277,488.39	-33,942.20	-10.90%	6,633.73	2.39%	13.80%
US Government	179,832.61	162,378.09	-17,454.52	-9.71%	7,700.23	4.74%	8.08%
Intermediate	70,407.16	64,453.29	-5,953.87	-8.46%	884.87	1.37%	3.21%
Other	109,425.45	97,924.80	-11,500.65	-10.51%	6,815.36	6.96%	4.87%
US Corporate IG Credit	71,701.10	62,098.27	-9,602.83	-13.39%	2,048.92	3.30%	3.09%
Core	71,701.10	62,098.27	-9,602.83	-13.39%	2,048.92	3.30%	3.09%
C Equity	877,940.98	1,305,738.82	427,797.84	48.73%	21,702.99	1.66%	64.96%
US Large Cap	703,880.18	1,097,352.22	393,472.04	55.90%	17,311.87	1.58%	54.59%
Growth	303,650.91	570,743.80	267,092.89	87.96%	5,042.01	0.88%	28.39%
Value	332,490.61	464,049.00	131,558.39	39.57%	9,956.81	2.15%	23.09%
Public Real Estate	67,738.66	62,559.42	-5,179.24	-7.65%	2,313.05	3.70%	3.11%
US Small Cap	75,710.22	100,605.72	24,895.50	32.88%	1,491.35	1.48%	5.01%
Core	75,710.22	100,605.72	24,895.50	32.88%	1,491.35	1.48%	5.01%
International Developed Markets	98,350.58	107,780.88	9,430.30	9.59%	2,899.77	2.69%	5.36%
Core	98,350.58	107,780.88	9,430.30	9.59%	2,899.77	2.69%	5.36%
D Commodities	0.00	0.00	0.00	0.00%	0.00	0.00%	0.00%
E Non-Traditional	0.00	0.00	0.00	0.00%	0.00	0.00%	0.00%
F Other	0.00	0.00	0.00	0.00%	0.00	0.00%	0.00%
Total Portfolio	\$1,644,404.81	\$2,010,159.33	\$365,754.52	22.24%	\$39,841.45	1.98%	100%

Balanced mutual funds are allocated in the 'Other' category



Portfolio holdings - as of December 31, 2022 (continued)

Details of portfolio holdings

				Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of asset class	% of Portfolio
Total Portfolio				\$1,644,404.81	\$2,010,159.33	\$365,754.52	22.24%	\$39,841.45	1.98%	100%	100%
Cash											
US											
US Cash											
	Quantity	Purchase price (\$)/ Avg Price	Price on 12/31/2022 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Cash	% of Portfolio
UBS INSURED SWEEP PROGRAM	55,171.57	1.00	1.00	55,171.57	55,171.57	0.00	0.00%	0.00	0.00%	100.00%	2.74%
Total US Cash				\$55,171.57	\$55,171.57	\$0.00	0.00%	\$0.00	0.00%	100.00%	2.74%
Total US				\$55,171.57	\$55,171.57	\$0.00	0.00%	\$0.00	0.00%	100.00%	2.74%
Total Cash				\$55,171.57	\$55,171.57	\$0.00	0.00%	\$0.00	0.00%	100.00%	2.74%
Fixed Income											
US Fixed Income											
Short											
INVESCO CONSERVATIVE INCOME FUND CLASS Y	14,832.25	10.00	9.93	148,327.96	147,284.19	-1,043.77	-0.70%	1,755.58	1.19%	22.69%	7.33%
Client investment: \$145,608.95											
Reinvested dividends: \$2,719.01											
Investment return: \$1,675.24 (1.15%)											
Total Short				\$148,327.96	\$147,284.19	\$-1,043.77	-0.70%	\$1,755.58	1.19%	22.69%	7.33%
Intermediate											
ISHARES CORE U.S. AGGREGATE BOND ETF	2,861.00	108.85	96.99	311,430.59	277,488.39	-33,942.20	-10.90%	6,633.73	2.39%	42.74%	13.80%
Client investment: \$267,079.05											
Reinvested dividends: \$44,351.54											
Investment return: \$10,409.34 (3.9%)											
Total Intermediate				\$311,430.59	\$277,488.39	\$-33,942.20	-10.90%	\$6,633.73	2.39%	42.74%	13.80%
Total US Fixed Income				\$459,758.55	\$424,772.58	\$-34,985.97	-7.61%	\$8,389.31	1.98%	65.43%	21.13%

Portfolio holdings - as of December 31, 2022 (continued)

	Quantity	Purchase price (\$) / Avg Price	Price on 12/31/2022 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Fixed Income	% of Portfolio
Fixed Income											
US Government											
Intermediate											
ISHARES 3-7 YEAR TREAS BOND ETF	561.00	125.50	114.89	70,407.16	64,453.29	-5,953.87	-8.46%	884.87	1.37%	9.93%	3.21%
Client investment: \$65,428.72											
Reinvested dividends: \$4,978.44											
Investment return: \$-975.43 (-1.49%)											
Total Intermediate				\$70,407.16	\$64,453.29	\$-5,953.87	-8.46%	\$884.87	1.37%	9.93%	3.21%
Other											
ISHARES TIPS BOND ETF	920.00	118.94	106.44	109,425.45	97,924.80	-11,500.65	-10.51%	6,815.37	6.96%	15.08%	4.87%
Client investment: \$102,399.08											
Reinvested dividends: \$7,026.37											
Investment return: \$-4,474.28 (-4.37%)											
Total Other				\$109,425.45	\$97,924.80	\$-11,500.65	-10.51%	\$6,815.36	6.96%	15.08%	4.87%
Total US Government				\$179,832.61	\$162,378.09	\$-17,454.52	-9.71%	\$7,700.23	4.74%	25.01%	8.08%
US Corporate IG Credit											
Core											
ISHARES IBOXX \$ INVT GRADE CORPORATE BOND ETF	589.00	121.73	105.43	71,701.10	62,098.27	-9,602.83	-13.39%	2,048.92	3.30%	9.56%	3.09%
Client investment: \$58,045.42											
Reinvested dividends: \$13,655.68											
Investment return: \$4,052.85 (6.98%)											
Total Core				\$71,701.10	\$62,098.27	\$-9,602.83	-13.39%	\$2,048.92	3.30%	9.56%	3.09%
Total US Corporate IG Credit				\$71,701.10	\$62,098.27	\$-9,602.83	-13.39%	\$2,048.92	3.30%	9.56%	3.09%
Total Fixed Income				\$711,292.26	\$649,248.94	\$-62,043.32	-8.72%	\$18,138.46	2.79%	100.00%	32.30%
Equity											
US Large Cap											
Growth											
INVESCO QQQ TRUST ETF	523.00	158.26	266.28	82,770.27	139,264.44	56,494.17	68.25%	1,116.64	0.80%	10.67%	6.93%
ISHARES RUSSELL 1000 GROWTH ETF	2,014.00	109.67	214.24	220,880.64	431,479.36	210,598.72	95.35%	3,925.37	0.91%	33.04%	21.46%
Total Growth				\$303,650.91	\$570,743.80	\$267,092.89	87.96%	\$5,042.01	0.88%	43.71%	28.39%
Value											
ISHARES RUSSELL 1000 VALUE ETF	3,060.00	108.66	151.65	332,490.61	464,049.00	131,558.39	39.57%	9,956.81	2.15%	35.54%	23.09%



Portfolio holdings - as of December 31, 2022 (continued)

Equity Value	Quantity	Purchase price (\$) / Avg Price	Price on 12/31/2022 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of Portfolio
Total Value				\$332,490.61	\$464,049.00	\$131,558.39	39.57%	\$9,956.81	2.15%	35.54%	23.09%
Public Real Estate											
REAL ESTATE SELECT SECT SPDR ETF	1,694.00	39.99	36.93	67,738.66	62,559.42	-5,179.24	-7.65%	2,313.05	3.70%	4.79%	3.11%
Total Public Real Estate				\$67,738.66	\$62,559.42	\$-5,179.24	-7.65%	\$2,313.05	3.70%	4.79%	3.11%
Total US Large Cap				\$703,880.18	\$1,097,352.22	\$393,472.04	55.90%	\$17,311.87	1.58%	84.04%	54.59%
US Small Cap											
Core											
ISHARES RUSSELL 2000 ETF	577.00	131.21	174.36	75,710.22	100,605.72	24,895.50	32.88%	1,491.35	1.48%	7.70%	5.01%
Total Core				\$75,710.22	\$100,605.72	\$24,895.50	32.88%	\$1,491.35	1.48%	7.71%	5.01%
Total US Small Cap				\$75,710.22	\$100,605.72	\$24,895.50	32.88%	\$1,491.35	1.48%	7.71%	5.01%
International Developed Markets											
Core											
ISHARES MSCI EAFE ETF	1,642.00	59.90	65.64	98,350.58	107,780.88	9,430.30	9.59%	2,899.77	2.69%	8.25%	5.36%
Total Core				\$98,350.58	\$107,780.88	\$9,430.30	9.59%	\$2,899.77	2.69%	8.25%	5.36%
Total International Developed Markets				\$98,350.58	\$107,780.88	\$9,430.30	9.59%	\$2,899.77	2.69%	8.25%	5.36%
Total Equity				\$877,940.98	\$1,305,738.82	\$427,797.84	48.73%	\$21,702.99	1.66%	100.00%	64.96%
Total Portfolio				\$1,644,404.81	\$2,010,159.33	\$365,754.52	22.24%	\$39,841.45	1.98%	100%	100%
Total accrued interest (included in market values): \$0.00											



Additional information about your portfolio

as of December 31, 2022

Inception to date net time-weighted returns(annualized > 1 year)

	Performance	Start date to	ITD
	Start date	12/31/2022	
Account WX XX297	01/19/2016		6.48%

Benchmark composition

Account WX XX297

Blended Index

Start - 01/20/2016: 60% Russell 1000; 40% BBG US Gvt/Credit

01/20/2016 - Current: 60% Russell 1000; 40% BBG US Gvt/Credit

Blended Index 2

Start - Current: 65% MSCI ACWI IMI-NR; 35% BBG Agg Bond



Disclosures applicable to accounts at UBS Financial Services Inc.

This section contains important disclosures regarding the information and valuations presented here. All information presented is subject to change at any time and is provided only as of the date indicated. The information in this report is for informational purposes only and should not be relied upon as the basis of an investment or liquidation decision. UBS FS account statements and official tax documents are the only official record of your accounts and are not replaced, amended or superseded by any of the information presented in these reports. You should not rely on this information in making purchase or sell decisions, for tax purposes or otherwise.

UBS FS offers a number of investment advisory programs to clients, acting in our capacity as an investment adviser, including fee-based financial planning, discretionary account management, non-discretionary investment advisory programs, and advice on the selection of investment managers and mutual funds offered through our investment advisory programs. When we act as your investment adviser, we will have a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our obligations to you. At the beginning of our advisory relationship, we will give you our Form ADV brochure(s) for the program(s) you selected that provides detailed information about, among other things, the advisory services we provide, our fees, our personnel, our other business activities and financial industry affiliations and conflicts between our interests and your interests.

In our attempt to provide you with the highest quality information available, we have compiled this report using data obtained from recognized statistical sources and authorities in the financial industry. While we believe this information to be reliable, we cannot make any representations regarding its accuracy or completeness. Please keep this guide as your Advisory Review.

Please keep in mind that most investment objectives are long term. Although it is important to evaluate your portfolio's performance over multiple time periods, we believe the greatest emphasis should be placed on the longer period returns.

Please review the report content carefully and contact your Financial Advisor with any questions.

Client Accounts: This report may include all assets in the accounts listed and may include eligible and ineligible assets in a fee-based program. Since ineligible assets are not considered fee-based program assets, the inclusion of such securities will distort the actual performance of your accounts and does not reflect the performance of your accounts in the fee-based program. As a result, the performance reflected in this report can

vary substantially from the individual account performance reflected in the performance reports provided to you as part of those programs. For fee-based programs, fees are charged on the market value of eligible assets in the accounts and assessed quarterly in advance, prorated according to the number of calendar days in the billing period. When shown on a report, the risk profile and return objectives describe your overall goals for these accounts. For each account you maintain, you choose one return objective and a primary risk profile. If you have questions regarding these objectives or wish to change them, please contact your Financial Advisor to update your account records.

Performance: This report presents account activity and performance depending on which inception type you've chosen. The two options are: (1) All Assets (Since Performance Start): This presents performance for all assets since the earliest possible date; (2) Advisory Assets (Advisory Strategy Start) for individual advisory accounts: This presents Advisory level performance since the Latest Strategy Start date; If an account that has never been managed is included in the consolidated report, the total performance of that unmanaged account will be included since inception.

Time-weighted Returns for accounts / SWP/AAP sleeves (Monthly periods): The report displays a time weighted rate of return (TWR) that is calculated using the Modified Dietz Method. This calculation uses the beginning and ending portfolio values for the month and weights each contribution/withdrawal based upon the day the cash flow occurred. Periods greater than one month are calculated by linking the monthly returns. The TWR gives equal weighting to every return regardless of amount of money invested, so it is an effective measure for returns on a fee based account. All periods shown which are greater than 12 months are annualized. This applies to all performance for all assets before 09/30/2010, Advisory assets before 12/31/2010 and SWP sleeves before 04/30/2018.

Time-weighted Returns for accounts / SWP/AAP sleeves (Daily periods): The report displays a time weighted rate of return (TWR) that is calculated by dividing the portfolio's daily gain/loss by the previous day's closing market value plus the net value of cash flows that occurred during the day, if it was positive. The TWR gives equal weighting to every return regardless of amount of money invested, so it is an effective measure for returns on a fee based account. Periods greater than one day are calculated by linking the daily returns. All periods shown which are greater than 12 months are annualized. For reports generated prior to 01/26/2018, the performance calculations used the account's end of day value on the performance inception (listed in the report under the column "ITD") and all cash flows were posted at end of day. As a result of the change, the overall rate of return (TWR) and beginning market value displayed can vary from prior generated reports. This

applies to all performance for all assets on or after 09/30/2010, Advisory assets on or after 12/31/2010, SWP/AAP sleeves on or after 04/30/2018 as well as all Asset Class and Security level returns.

Money-weighted returns: Money-weighted return (MWR) is a measure of the rate of return for an asset or portfolio of assets. It is calculated by finding the daily Internal Rate of Return (IRR) for the period and then compounding this return by the number of days in the period being measured. The MWR incorporates the size and timing of cash flows, so it is an effective measure of returns on a portfolio.

Annualized Performance: All performance periods greater than one year are calculated (unless otherwise stated) on an annualized basis, which represents the return on an investment multiplied or divided to give a comparable one year return.

Cumulative Performance: A cumulative return is the aggregate amount that an investment has gained or lost over time, independent of the period of time involved.

Net of Fees and Gross of Fees Performance: Performance is presented on a "net of fees" and "gross of fees" basis, where indicated. Net returns do not reflect Program and wrap fees prior to 10/31/10 for accounts that are billed separately via invoice through a separate account billing arrangement. Gross returns do not reflect the deduction of fees, commissions or other charges. The payment of actual fees and expenses will reduce a client's return. The compound effect of such fees and expenses should be considered when reviewing returns. For example, the net effect of the deduction of fees on annualized performance, including the compounded effect over time, is determined by the relative size of the fee and the account's investment performance. It should also be noted that where gross returns are compared to an index, the index performance also does not reflect any transaction costs, which would lower the performance results. Market index data maybe subject to review and revision.

Asset Class Performance: If you selected the Manager Roll-up option, even though the asset manager may invest in more than one asset class, the asset manager will be included in an asset class based upon the asset manager's investment style/category. Therefore, the values/percentages of asset classes presented within this report may not match if you selected the Manager Roll-up option.

Security Performance: Securities are displayed under their current asset classification when asset classification is displayed on this report.

Benchmark/Major Indices: The past performance of an index is not a guarantee of future results. Any benchmark is shown for informational purposes only

and relates to historical performance of market indices and not the performance of actual investments. Although most portfolios use indices as benchmarks, portfolios are actively managed and generally are not restricted to investing only in securities in the index. As a result, your portfolio holdings and performance may vary substantially from the index. Each index reflects an unmanaged universe of securities without any deduction for advisory fees or other expenses that would reduce actual returns, as well as the reinvestment of all income and dividends. An actual investment in the securities included in the index would require an investor to incur transaction costs, which would lower the performance results. Indices are not actively managed and investors cannot invest directly in the indices. Market index data maybe subject to review and revision. Further, there is no guarantee that an investor's account will meet or exceed the stated benchmark. Index performance information has been obtained from third parties deemed to be reliable. We have not independently verified this information, nor do we make any representations or warranties to the accuracy or completeness of this information.

Blended Index - For Advisory accounts, Blended Index is designed to reflect the asset categories in which your account is invested. For Brokerage accounts, you have the option to select any benchmark from the list.

For certain products, the blended index represents the investment style corresponding to your client target allocation. If you change your client target allocation, your blended index will change in step with your change to your client target allocation.

Blended Index 2 - 8 - are optional indices selected by you which may consist of a blend of indexes. For advisory accounts, these indices are for informational purposes only. Depending on the selection, the benchmark selected may not be an appropriate basis for comparison of your portfolio based on it's holdings.

For strategies that are highly customized, such as Concentrated Equity Solutions (CES), benchmarks are broad market indices included for general reference and are not intended to show comparative market performance or potential portfolios with risk or return profiles similar to your account. Benchmark indices are shown for illustrative purposes only.

Custom Time Periods: If represented on this report, the performance start date and the performance end date have been selected by your Financial Advisor in order to provide performance and account activity information for your account for the specified period of time only. As a result, only a portion of your account's activity and performance information is presented in the performance report, and, therefore, presents a distorted representation of your account's activity and performance.



Disclosures applicable to accounts at UBS Financial Services Inc. (continued)

Net Deposits/Withdrawals: When shown on a report, this information represents the net value of all cash and securities contributions and withdrawals, program fees (including wrap fees) and other fees added to or subtracted from your accounts from the first day to the last day of the period. When fees are shown separately, net deposits / withdrawals does not include program fees (including wrap fees). When investment return is displayed net deposits / withdrawals does not include program fees (including wrap fees). For security contributions and withdrawals, securities are calculated using the end of day UBS FS price on the day securities are delivered in or out of the accounts. Wrap fees will be included in this calculation except when paid via an invoice or through a separate accounts billing arrangement. When shown on Client summary and/or Portfolio review report, program fees (including wrap fees) may not be included in net deposits/withdrawals. PACE Program fees paid from sources other than your PACE account are treated as a contribution. A PACE Program Fee rebate that is not reinvested is treated as a withdrawal.

Dividends/Interest: Dividend and interest earned, when shown on a report, does not reflect your account's tax status or reporting requirements. Use only official tax reporting documents (i.e. 1099) for tax reporting purposes. The classification of private investment distributions can only be determined by referring to the official year-end tax-reporting document provided by the issuer.

Change in Accrued Interest: When shown on a report, this information represents the difference between the accrued interest at the beginning of the period from the accrued interest at the end of the period.

Change in Value: Represents the change in value of the portfolio during the reporting period, excluding additions/withdrawals, dividend and interest income earned and accrued interest. Change in Value may include programs fees (including wrap fees) and other fees.

Fees: Fees represented in this report include program and wrap fees. Program and wrap fees prior to October 1, 2010 for accounts that are billed separately via invoice through a separate account billing arrangement are not included in this report.

Performance Start Date Changes: The Performance Start Date for accounts marked with a 'A' have changed. Performance figures of an account with a changed Performance Start Date may not include the entire history of the account. The new Performance Start Date will generate performance returns and activity information for a shorter period than is available at UBS FS. As a result, the overall performance of these accounts may generate better performance than the

period of time that would be included if the report used the inception date of the account. UBS FS recommends reviewing performance reports that use the inception date of the account because reports with longer time frames are usually more helpful when evaluating investment programs and strategies. Performance reports may include accounts with inception dates that precede the new Performance Start Date and will show performance and activity information from the earliest available inception date. The change in Performance Start Date may be the result of a performance gap due to a zero-balance that prevents the calculation of continuous returns from the inception of the account. The Performance Start Date may also change if an account has failed one of our performance data integrity tests. In such instances, the account will be labeled as 'Review Required' and performance prior to that failure will be restricted. Finally, the Performance Start Date will change if you have explicitly requested a performance restart. Please contact your Financial Advisor for additional details regarding your new Performance Start Date.

Closed Account Performance: Accounts that have been closed may be included in the consolidated performance report. When closed accounts are included in the consolidated report, the performance report will only include information for the time period the account was active during the consolidated performance reporting time period.

Important information on options-based strategies: Options involve risk and are not suitable for everyone. Prior to buying or selling an option investors must read a copy of the Characteristics & Risks of Standardized Options, also known as the options disclosure document (ODD). It explains the characteristics and risks of exchange traded options. The options risk disclosure document can be accessed at the following web address: www.optionsclearing.com/about/publications/character-risks.

Concentrated Equity Solutions (CES) managers are not involved in the selection of the underlying stock positions. The Manager will advise only on the options selection in order to pursue the strategy in connection with the underlying stock position(s) deposited in the account. It is important to keep this in mind when evaluating the manager's performance since the account's performance will include the performance of the underlying equity position that is not being managed. CES use options to seek to achieve your investment objectives regarding your concentration stock position. Options strategies change the potential return profile of your stock. In certain scenarios, such as call writing, the call position will limit your ability to participate in any potential increase in the underlying equity position upon which the call was written. Therefore, in some market conditions, particularly during periods of significant appreciation of the underlying

equity position(s), the CES account will decrease the performance that would have been achieved had the stock been held long without implementing the CES strategy.

Portfolio: For purposes of this report "portfolio" is defined as all of the accounts presented on the cover page or the header of this report and does not necessarily include all of the client's accounts held at UBS FS or elsewhere.

Percentage: Portfolio (in the "% Portfolio / Total" column) includes all holdings held in the account(s) selected when this report was generated. Broad asset class (in the "% broad asset class" column) includes all holdings held in that broad asset class in the account(s) selected when this report was generated.

Tax lots: This report displays security tax lots as either one line item (i.e., lumped tax lots) or as separate tax lot level information. If you choose to display security tax lots as one line item, the total cost equals the total value of all tax lots. The unit cost is an average of the total cost divided by the total number of shares. If the shares were purchased in different lots, the unit price listed does not represent the actual cost paid for each lot. The unrealized gain/loss value is calculated by combining the total value of all tax lots plus or minus the total market value of the security.

If you choose to display tax lot level information as separate line items on the Portfolio Holdings report, the tax lot information may include information from sources other than UBS FS. The Firm does not independently verify or guarantee the accuracy or validity of any information provided by sources other than UBS FS. As a result this information may not be accurate and is provided for informational purposes only. Clients should not rely on this information in making purchase or sell decisions, for tax purposes or otherwise. See your monthly statement for additional information.

Pricing: All securities are priced using the closing price reported on the last business day preceding the date of this report. Every reasonable attempt has been made to accurately price securities; however, we make no warranty with respect to any security's price. Please refer to the back of the first page of your UBS FS account statement for important information regarding the pricing used for certain types of securities, the sources of pricing data and other qualifications concerning the pricing of securities. To determine the value of securities in your account, we generally rely on third party quotation services. If a price is unavailable or believed to be unreliable, we may determine the price in good faith and may use other sources such as the last recorded transaction. When securities are held at another custodian or if you hold illiquid or restricted securities for which there is no published price, we will generally rely

on the value provided by the custodian or issuer of that security.

Cash: Cash on deposit at UBS Bank USA is protected by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in principal and accrued interest per depositor for each ownership type. Deposits made in an individual's own name, joint name, or individual retirement account are each held in a separate type of ownership. Such deposits are not guaranteed by UBS FS. More information is available upon request.

Margin: The quantity value may indicate that all or part of this position is held on margin or held in the short account. When an account holds a debit balance, this debit balance is incorporated into the account's total market value and deducted from the total value. When calculating the percent of portfolio on each security, the percentage will be impacted by the total market value of the account. Therefore, if the account's market value is reduced by a debit value of a holding the percent of portfolio will be greater and if the account's market value is increased by a holding then the percent of portfolio will be less.

Asset Allocation: Your allocation analysis is based on your current portfolio. The Asset Allocation portion of this report shows the mix of various investment classes in your account. An asset allocation that shows a significantly higher percentage of equity investments may be more appropriate for an investor with a more aggressive investment strategy and higher tolerance for risk. Similarly, the asset allocation of a more conservative investor may show a higher percentage of fixed income investments.

Separately Managed Accounts and Pooled Investment Vehicles (such as mutual funds, closed end funds and exchanged traded funds): The asset classification displayed is based on firm's proprietary methodology for classifying assets. Please note that the asset classification assigned to rolled up strategies may include individual investments that provide exposure to other asset classes. For example, an International Developed Markets strategy may include exposure to Emerging Markets, and a US Large Cap strategy may include exposure to Mid Cap and Small Cap, etc.

Mutual Fund Asset Allocation: If the option to unbundle balanced mutual funds is selected and if a fund's holdings data is available, mutual funds will be classified by the asset class, subclass, and style breakdown of their underlying holdings. Where a mutual fund or ETF contains equity holdings from multiple equity sectors, this report will proportionately allocate the underlying holdings of the fund to those sectors measured as a percentage of the total fund's asset value as of the date shown.

This information is supplied by Morningstar, Inc. on a



Disclosures applicable to accounts at UBS Financial Services Inc. (continued)

daily basis to UBS FS based on data supplied by the fund which may not be current. Mutual funds change their portfolio holdings on a regular (often daily) basis. Accordingly, any analysis that includes mutual funds may not accurately reflect the current composition of these funds. If a fund's underlying holding data is not available, it will be classified based on its corresponding overall Morningstar classification. All data is as of the date indicated in the report.

All pooled investment vehicles (such as mutual funds, closed end mutual funds, and exchange traded funds) incorporate internal management and operation expenses, which are reflected in the performance returns. Please see relevant fund prospectus for more information. Please note, performance for mutual funds is inclusive of multiple share classes.

Ineligible Assets: We require that you hold and purchase only eligible managed assets in your advisory accounts. Please contact your Financial Advisor for a list of the eligible assets in your program. These reports may provide performance information for eligible and ineligible assets in a fee-based program. Since ineligible assets are not considered fee-based program assets, the inclusion of such securities will distort the actual performance of your advisory assets. As a result, the performance reflected in this report can vary substantially from the individual account performance reflected in the performance reports provided to you as part of those programs. For fee-based programs, fees are charged on the market value of eligible assets in the accounts and assessed quarterly in advance, prorated according to the number of calendar days in the billing period. Neither UBS nor your Financial Advisor will act as your investment adviser with respect to Ineligible Assets.

Variable Annuity Asset Allocation: If the option to unbundle a variable annuity is selected and if a variable annuity's holdings data is available, variable annuities will be classified by the asset class, subclass, and style breakdown for their underlying holdings. Where a variable annuity contains equity holdings from multiple equity sectors, this report will proportionately allocate the underlying holdings of the variable annuity to those sectors measured as a percentage of the total variable annuity's asset value as of the date shown.

This information is supplied by Morningstar, Inc. on a weekly basis to UBS FS based on data supplied by the variable annuity which may not be current. Portfolio holdings of variable annuities change on a regular (often daily) basis. Accordingly, any analysis that includes variable annuities may not accurately reflect the current composition of these variable annuities. If a variable annuity's underlying holding data is not available, it will remain classified as an annuity. All data is as of the date indicated in the report.

Equity Style: The Growth, Value and Core labels are

determined by Morningstar. If an Equity Style is unclassified, it is due to non-availability of data required by Morningstar to assign it a particular style.

Equity Capitalization: Market Capitalization is determined by Morningstar. Equity securities are classified as Large Cap, Mid Cap or Small Cap by Morningstar. Unclassified securities are those for which no capitalization is available on Morningstar.

Equity Sectors: The Equity sector analysis may include a variety of accounts, each with different investment and risk parameters. As a result, the overweighting or underweighting in a particular sector or asset class should not be viewed as an isolated factor in making investment/liquidation decisions; but should be assessed on an account by account basis to determine the overall impact on the account's portfolio.

Classified Equity: Classified equities are defined as those equities for which the firm can confirm the specific industry and sector of the underlying equity instrument.

Estimated Annual Income: The Estimated Annual Income is the annualized yearly per share Dividends/Interest paid and multiplied by the quantity of shares held in the selected account(s). For savings product & sweep funds this value is not calculated and is displayed as 0.

Current Yield: Current yield is defined as the estimated annual income divided by the total market value.

Credit/Event Risk: Investments are subject to event risk and changes in credit quality of the issuer. Issuers can experience economic situations that may have adverse effects on the market value of their securities.

Interest Rate Risk: Bonds are subject to market value fluctuations as interest rates rise and fall. If sold prior to maturity, the price received for an issue may be less than the original purchase price.

Reinvestment Risk: Since most corporate issues pay interest semiannually, the coupon payments over the life of the bond can have a major impact on the bond's total return.

Effective Maturity: Effective maturity is the expected redemption due to pre-refunding, puts, or maturity and does not reflect any sinking fund activity, optional or extraordinary calls. Securities without a maturity date are left blank and typically include Preferred Securities, Mutual Funds and Fixed Income UITs.

Accrued Interest: Interest that has accumulated between the most recent payment and the report date may be reflected in market values for interest bearing securities.

Tax Status: "Taxable" includes all securities held in a taxable account that are subject to federal and/or state or local taxation. "Tax-exempt" includes all securities held in a taxable account that are exempt from federal, state and local taxation. "Tax-deferred" includes all securities held in a tax-deferred account, regardless of the status of the security.

Cash Flow: This Cash Flow analysis is based on the historical dividend, coupon and interest payments you have received as of the Record Date in connection with the securities listed and assumes that you will continue to hold the securities for the periods for which cash flows are projected. The attached may or may not include principal paybacks for the securities listed. These potential cash flows are subject to change due to a variety of reasons, including but not limited to, contractual provisions, changes in corporate policies, changes in the value of the underlying securities and interest rate fluctuations. The effect of a call on any security(s) and the consequential impact on its potential cash flow(s) is not reflected in this report. Payments that occur in the same month in which the report is generated -- but prior to the report run ("As of") date -- are not reflected in this report. In determining the potential cash flows, UBS FS relies on information obtained from third party services it believes to be reliable. UBS FS does not independently verify or guarantee the accuracy or validity of any information provided by third parties. Although UBS FS generally updates this information as it is received, the Firm does not provide any assurances that the information listed is accurate as of the Record Date. Cash flows for mortgage-backed, asset-backed, factored, and other pass-through securities are based on the assumptions that the current face amount, principal pay-down, interest payment and payment frequency remain constant. Calculations may include principal payments, are intended to be an estimate of future projected interest cash flows and do not in any way guarantee accuracy.

Expected Cash Flow reporting for Puerto Rico Income Tax Purposes: Expected Cash Flow reporting may be prepared solely for Puerto Rico income tax purposes only. If you have received expected cash flow reporting for Puerto Rico income tax purposes only and are NOT subject to Puerto Rico income taxes, you have received this reporting in error and you should contact your Financial Advisor immediately. Both the Firm and your Financial Advisor will rely solely upon your representations and will not make the determination of whether you are subject to Puerto Rico income taxes. If you have received this reporting and you are NOT subject to Puerto Rico income taxes, the information provided in this reporting is inaccurate and should not be relied upon by you or your advisers. Neither UBS FS nor its employees or associated persons provide tax or legal advice. You should consult with your tax and/or legal advisors regarding your personal circumstances.

Gain/Loss: The gain/loss information may include calculations based upon non-UBS FS cost basis information. The Firm does not independently verify or guarantee the accuracy or validity of any information provided by sources other than UBS FS. In addition, if this report contains positions with unavailable cost basis, the gain/(loss) for these positions are excluded in the calculation for the Gain/(Loss). As a result these figures may not be accurate and are provided for informational purposes only. Clients should not rely on this information in making purchase or sell decisions, for tax purposes or otherwise. Rely only on year-end tax forms when preparing your tax return. See your monthly statement for additional information.

Gain/Loss reporting for Puerto Rico Income Tax Purposes: Gain/(Loss) reporting may be prepared solely for Puerto Rico income tax purposes only. If you have received gain/(loss) reporting for Puerto Rico income tax purposes only and are NOT subject to Puerto Rico income taxes, you have received this reporting in error and you should contact your Financial Advisor immediately. Pursuant to the Puerto Rico Internal Revenue Code (PRIRC) long-term capital gains are derived from the sale or exchange of capital assets held longer than six (6) months. For the purposes of this report only, long term gains and losses are represented by assets held for a period of more than six (6) months. Both the Firm and your Financial Advisor will rely solely upon your representations and will not make the determination of whether you are subject to Puerto Rico income taxes. If you have received this reporting and you are NOT subject to Puerto Rico income taxes, the information provided in this reporting is inaccurate and should not be relied upon by you or your advisers for purposes other than determining realized gain/loss for Puerto Rico income tax purposes. Neither UBS FS nor its employees or associated persons provide tax or legal advice. You should consult with your tax and/or legal advisors regarding your personal circumstances.

Gain/Loss 60/40: Index options listed in this report may be subject to IRS Tax Code - section 1256 categorizing them as broad-based index options. If so, the index may be eligible to be treated as 60% long term and 40% short terms for tax purposes. Please contact your tax professional to determine eligibility.

Accounts Included in this Report: The account listing may or may not include all of your accounts with UBS FS. The accounts included in this report are listed under the "Accounts included in this review" shown on the first page or listed at the top of each page. If an account number begins with "@" this denotes assets or liabilities held at other financial institutions. Information about these assets, including valuation, account type and cost basis, is based on the information you provided to us, or provided to us by third party data aggregators or



Disclosures applicable to accounts at UBS Financial Services Inc. (continued)

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For more information about account or group names, or to make changes, contact your Financial Advisor.

Account changes: At UBS, we are committed to helping you work toward your financial goals. So that we may continue providing you with financial advice that is consistent with your investment objectives, please consider the following two questions:

- 1) Have there been any changes to your financial situation or investment objectives?
 - 2) Would you like to implement or modify any restrictions regarding the management of your account?
- If the answer to either question is "yes," it is important that you contact your Financial Advisor as soon as possible to discuss these changes. For MAC advisory accounts, please contact your investment manager directly if you would like to impose or change any investment restrictions on your account.

ADV disclosure: A complimentary copy of our current Form ADV Disclosure Brochure that describes the advisory program and related fees is available through your Financial Advisor. Please contact your Financial Advisor if you have any questions.

Important information for former Piper Jaffray and McDonald Investments clients: As an accommodation to former Piper Jaffray and McDonald Investments clients, these reports include performance history for their Piper Jaffray accounts prior to August 12, 2006 and McDonald Investments accounts prior to February 9, 2007, the date the respective accounts were converted to UBS FS. UBS FS has not independently verified this information nor do we make any representations or warranties as to the accuracy or completeness of that information and will not be liable to you if any such information is unavailable, delayed or inaccurate.

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January 10, 2023

To: Washington State Board of Accountancy

From: The Board AICPA Rules Committee (BARC)
(Brian Thomas, Mark Hugh, Scott Newman, Mike Paquette, Jennifer Sciba, Brooke Stegmeier)

RE: Proposed AICPA Tax Standards

The Board of Accountancy adopts rules, codes and standards published by the AICPA where applicable to CPAs licensed in the State of Washington.

The Board AICPA Rules Committee (BARC) reviews changes proposed by the AICPA as it relates to compliance expected of Washington CPAs. In Board Rule WAC 4-30-048, Section 8, licensees are required to comply with Statements on Standards for Tax Services (SSTS) issued by the AICPA. Board Rules are not more specific regarding those standards making the standards as published by the AICPA thus applicable to all Washington CPAs.

The AICPA previously had seven SSTS standards, is proposing an additional three and is reorganizing all ten of the standards. The existing standards, including their reorganization, remain consistent with Board Rules, and are excluded from the Committee recommendation for action (noted below). The BARC reviewed the three new standards and whether to adopt them as written or if the Board should address these three areas independently for Washington State. The three new standards are summarized:

- Data protection
 - Section 1.3.4: A member should make reasonable efforts to safeguard taxpayer data, including data transmitted or stored electronically
 - Section 1.3.5: A member should consider applicable privacy laws when collecting and storing taxpayer data
- Reliance on tools
 - Section 1.4.3: A member should exercise appropriate professional judgment and professional care when relying on a tool
 - Section 1.4.4: A member may reasonably rely on tools used in providing tax services to a taxpayer. Use of the tool does not absolve the member of his or her professional obligation under AICPA or other applicable ethical standards
- Representation of tax clients before taxing authorities
 - Section 4.1.3: The member, and any individuals working with or for the member, should have or take steps to obtain technical competence in the subject matter involved (with further language referencing definitions of competence)
 - Section 4.1.4: The member should take appropriate steps to ensure compliance with all relevant professional and regulatory obligations when representing a taxpayer
 - Section 4.1.5: The member should act with integrity and professionalism in all dealing with the taxing authority
 - Section 4.1.6: Information requested by the taxing authority should, with taxpayer approval, be provided by the member on a timely basis unless there is a good-faith belief that the information is privileged
 - Section 4.1.7: The member should consider if the taxpayer's conduct may be fraudulent or criminal in nature. If so, the member should advise the taxpayer to retain legal counsel and refrain from further representation

- Section 4.1.8: Upon completion of the exam by the taxing authority, the member should review any documents or computations detailing the results of the exam for correctness and discuss with the taxpayer the consequences of agreeing to these conclusions

Attached are two documents that review these changes in detail:

- Revised Statements on Standards for Tax Services: An Exposure Draft and Invitation to Comment
- Proposed AICPA Tax Standards Address New Concerns

The BARC reviewed these proposed standards and did not find any inconsistencies between them and Washington State Board of Accountancy Rules. These proposed standards are consistent with the Board's rules of professional conduct. As such, we recommend the Board adopts these proposed standards without further action. Should the final standards substantially change from what is proposed, BARC will review and make further recommendations at that time.

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Explanatory memorandum

Introduction

Statements on Standards for Tax Services (SSTs) are issued by the AICPA Tax Executive Committee (TEC), the senior technical body of the AICPA designated to promulgate standards of tax practice. The General Standards Rule (AICPA, Professional Standards, ET secs. 1.300.001 and 2.300.001) and the *Compliance With Standards Rule* (AICPA, Professional Standards, ET secs. 1.310.001 and 2.310.001) of the AICPA Code of Professional Conduct require compliance with these standards. Many state boards of accountancy also incorporate the SSTs as part of their professional rules of conduct for CPAs.

The purpose of this combined document is to solicit feedback, respectively, on:

1. **Part 1: Exposure Draft (ED)** of proposed revisions to the AICPA's SSTs that, if adopted, will become effective on Jan. 1, 2024, and
2. **Part 2: Invitation to Comment (ITC)** on potential approaches to effectively introduce quality management in tax.

In September of 2018, the AICPA TEC approved formation of the SSTS Revision Task Force to update the SSTs to (1) better reflect the issues and needs of members and the tax practices of today and in the future and (2) ensure the highest ethical standards for members who support the public's view that CPAs are the premier providers of tax services.

As part of those efforts, the task force:

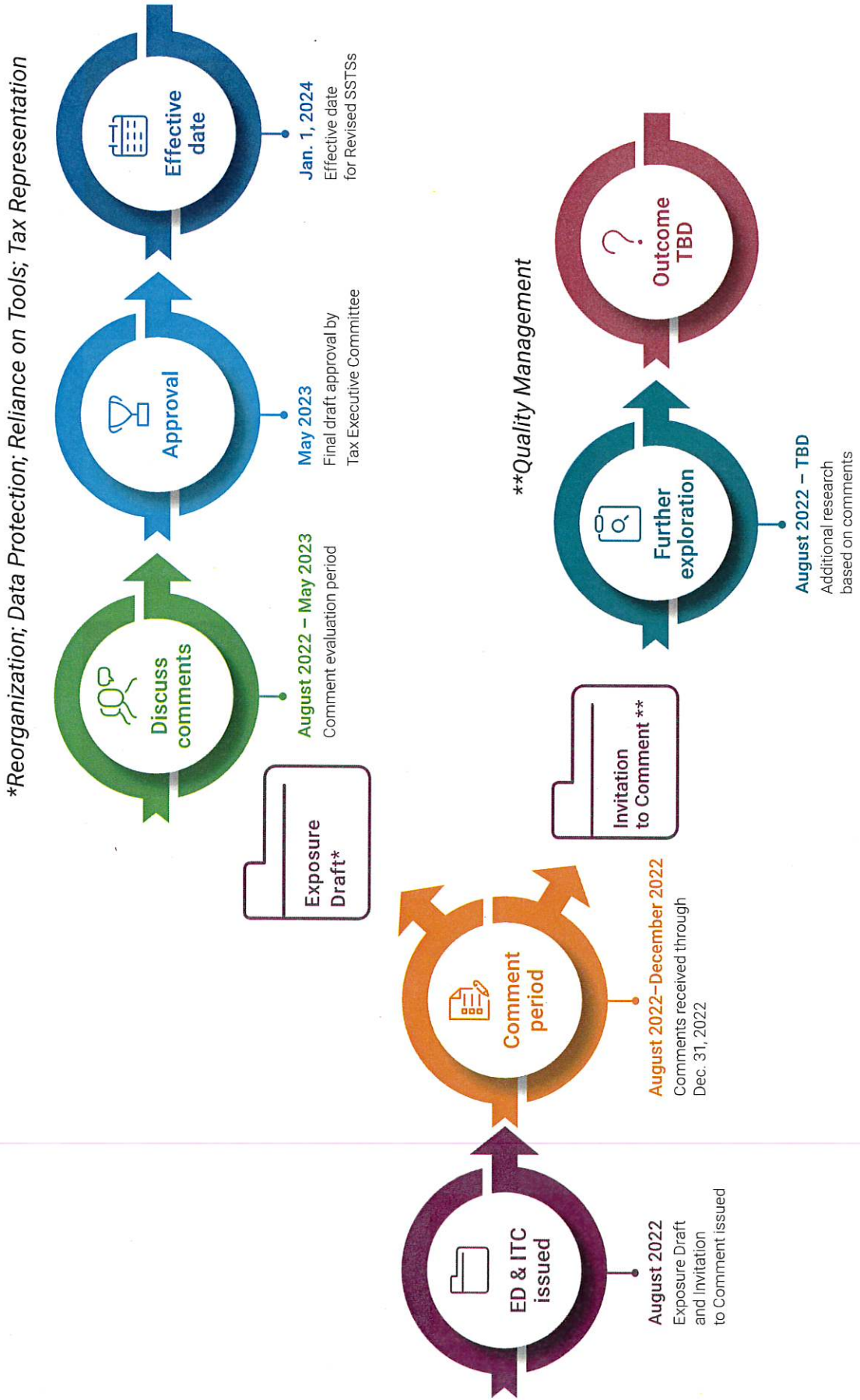
- Developed a new structure to organize the SSTs by type of tax work performed,
- Updated the existing standards to better reflect the current and possible future state of the tax profession and
- Drafted three new standards surrounding data protection, reliance on tools and the representation of clients before taxing authorities.

In addition, the task force explored items that will require additional research and investigation and held extensive discussions among its members and multiple committees to explore what, if any, revisions to the SSTs should be made to address issues of quality management in tax.

Stakeholders are invited to comment on all matters in this ED and ITC. Specific questions related to the ED and ITC are included at the ends of Part 1 and Part 2, respectively.

SSTS revision timeline

The following graphic demonstrates the anticipated timing of the SSTSs updates and the research and exploration period on quality management in tax.



Description of combined document

This combined ED and ITC presents the findings and conclusions of the SSTS Revision Task Force as approved by the TEC. The document is divided into two separate sections: Part 1: ED and Part 2: ITC.

The ED presents changes the AICPA proposes to make to the SSTSs. Following consideration of comments received, the changes outlined in the ED, if adopted, are expected to be included in a revised SSTSs document to be approved no later than May 31, 2023, and effective Jan. 1, 2024.

The ITC presents items for consideration that will require additional research and investigation regarding the concept of quality management in tax. Depending on the nature of the comments received in response to the ITC, the AICPA will pursue additional research to determine how and when the SSTSs and/or other guidance may be provided on quality management in tax. At this time, it is not known if and when any changes resulting from the ITC will be implemented.

All comments, whether related to the ED or the ITC, are due no later than Dec. 31, 2022. See further discussion below under request for comments.

Request for comments

Respondents are asked to provide comments on the proposed changes and questions listed in the ED and the ITC. Comments are most helpful when they refer to specific questions asked and include the reasons supporting the respondent's view.

When a respondent agrees with proposals in the ED or ITC, it will be helpful for the AICPA to be made aware of this view.

Written comments on the ED and ITC will become part of the public record of the AICPA and will be available on the AICPA's website after Dec. 31, 2022. The AICPA will consider all responses received on or before Dec. 31, 2022.

Please submit comments via our [online form](#). Alternatively, you may email your submission to: SSTScomments@aicpa-cima.com.

Responses may be submitted in Word format or directly in the body of the email with an appropriate signature (name, firm). Unless the respondent explicitly permits otherwise, comments will be posted without the sender's email address. Respondents may also submit a PDF version of their response for posting to the AICPA website.

Comment period

The comment period for this ED and ITC ends Dec. 31, 2022.

Part 1:

Exposure draft of proposed
revisions to the SSTSSs

Background

The SSTs have their origin in the Statements on Responsibilities in Tax Practice (SRTPs), which provided a body of advisory opinions on good tax practice. The guidelines as originally set forth in the SRTPs became more important than many members had anticipated when the guidelines were issued. The courts, the IRS, state accountancy boards and other professional organizations recognized and relied on the SRTPs as the appropriate articulation of professional conduct in a CPA's tax practice. The SRTPs became de facto enforceable standards of professional practice because state disciplinary organizations and courts regularly held CPAs accountable for failure to follow the guidelines set forth in the SRTPs.

The SRTPs were originally issued between 1964 and 1977. The first nine SRTPs and an introduction were combined and promulgated in 1976; the tenth SRTP was issued in 1977. The original SRTPs concerning the CPA's responsibility to sign the tax return (SRTP No. 1, *Signature of Preparers*, and No. 2, *Signature of Reviewer: Assumption of Preparer's Responsibility*) were withdrawn in 1982 after Treasury Department regulations were issued adopting substantially the same standards for all tax return preparers. The sixth and seventh SRTPs, concerning the responsibility of a CPA who becomes aware of an error, were revised in 1991. The first interpretation of the SRTPs, Interpretation No. 1-1, *Realistic Possibility Standard*, was approved in December 1990.

Given the level of reliance on the SRTPs by state disciplinary organizations and courts, the AICPA's TEC concluded it was appropriate to issue tax practice standards that would become a part of the AICPA's Professional Standards. At its July 1999 meeting, the AICPA Board of Directors approved support of the executive committee's initiative and placed the matter on the agenda of the October 1999 meeting of the AICPA's governing Council. On Oct. 19, 1999, Council approved designating the TEC as a standard-setting body, thus authorizing that committee to promulgate standards of tax practice. As a result, the original SSTs, largely mirroring the SRTPs, were issued in August 2000. The SSTs and Interpretation No. 1-1,

Realistic Possibility Standard, of SSTs No. 1, *Tax Return Positions*, superseded and replaced the SRTPs and their Interpretation No. 1-1, effective Oct. 31, 2000.

Although the number and names of the SSTs, and the substance of the rules contained in each of them, remained the same as in the SRTPs, the language was revised to both clarify and reflect the enforceable nature of the SSTs. In addition, because the applicability of these standards is not limited to federal income tax practice (as was the case with the SRTPs), the language was changed to indicate the broader scope. In 2003, in connection with the tax shelter debate, SST Interpretation No. 1-2, *Tax Planning*, of SSTs No. 1 was issued to clarify a member's responsibilities in connection with tax planning; that interpretation became effective Dec. 31, 2003. These two interpretations were initially updated in 2010. On Aug. 15, 2011, the TEC adopted the updated Interpretation 1-1, now titled, *Reporting and Disclosure Standards*, and 1-2, *Tax Planning*, effective Jan. 31, 2012.

When the original SSTs were issued, an effort was made to keep to a minimum any changes in the language of the SSTs from that of the predecessor SRTPs. This was done to alleviate concerns regarding the enforceability of standards that differed from the SRTPs under which members had been practicing. Since the issuance of the original SSTs, members have asked for clarification on certain matters, such as the duplication of the language in SSTs No. 6, *Knowledge of Error: Return Preparation*, and No. 7, *Knowledge of Error: Administrative Proceedings*. Also, certain changes in federal and state tax laws have raised concerns regarding the need to revise SSTs No. 1. As a result, in 2008, the original SSTs Nos. 1–8 were updated, effective Jan. 1, 2010. The original SSTs Nos. 6–7 were combined into the revised SSTs No. 6, *Knowledge of Error: Return Preparation and Administrative Proceedings*. The original SSTs No. 8, *Form and Content of Advice to Taxpayers*, was renumbered SSTs No. 7. In addition, various revisions were made to the language of the original SSTs. The last significant updates to the content of the SSTs were effective Jan. 1, 2010.

In 2018, changes were made to the SSTs to bring the references to the AICPA Code of Professional Conduct into conformity with the AICPA ethics codification.

In September of 2018, the TEC approved the formation of a task force to update the SSTs. The task force is composed of AICPA Tax Section members representing diverse interests including small and sole practitioner firms, Private Company Practice Section ("PCPS") members, medium and large CPA firms and academia. The task force developed and presented the updated SSTs to the TEC for their approval.

Explanation of proposed revisions to the SSTs

The goals of the revisions of the SSTs are to ensure that the standards are better aligned to reflect the current state of the tax profession and to address the emerging needs of today's members. Proposed updates to the standards include:

- Reorganization of the SSTs by type of tax work performed; and
- Promulgation of three new standards surrounding data protection, reliance on tools and the representation of tax clients before taxing authorities.

Reorganization

Included in its efforts to update the SSTs, the task force developed a new practice-based organizational structure for the standards. Under the new organizational framework:

- Standard 1 includes general tax guidance with broad applicability (includes new standards on data protection and reliance on tools)
- Standard 2 includes tax return preparation guidance
- Standard 3 includes guidance specific to providing tax advice
- Standard 4 includes guidance for members providing tax representation services (new standard)

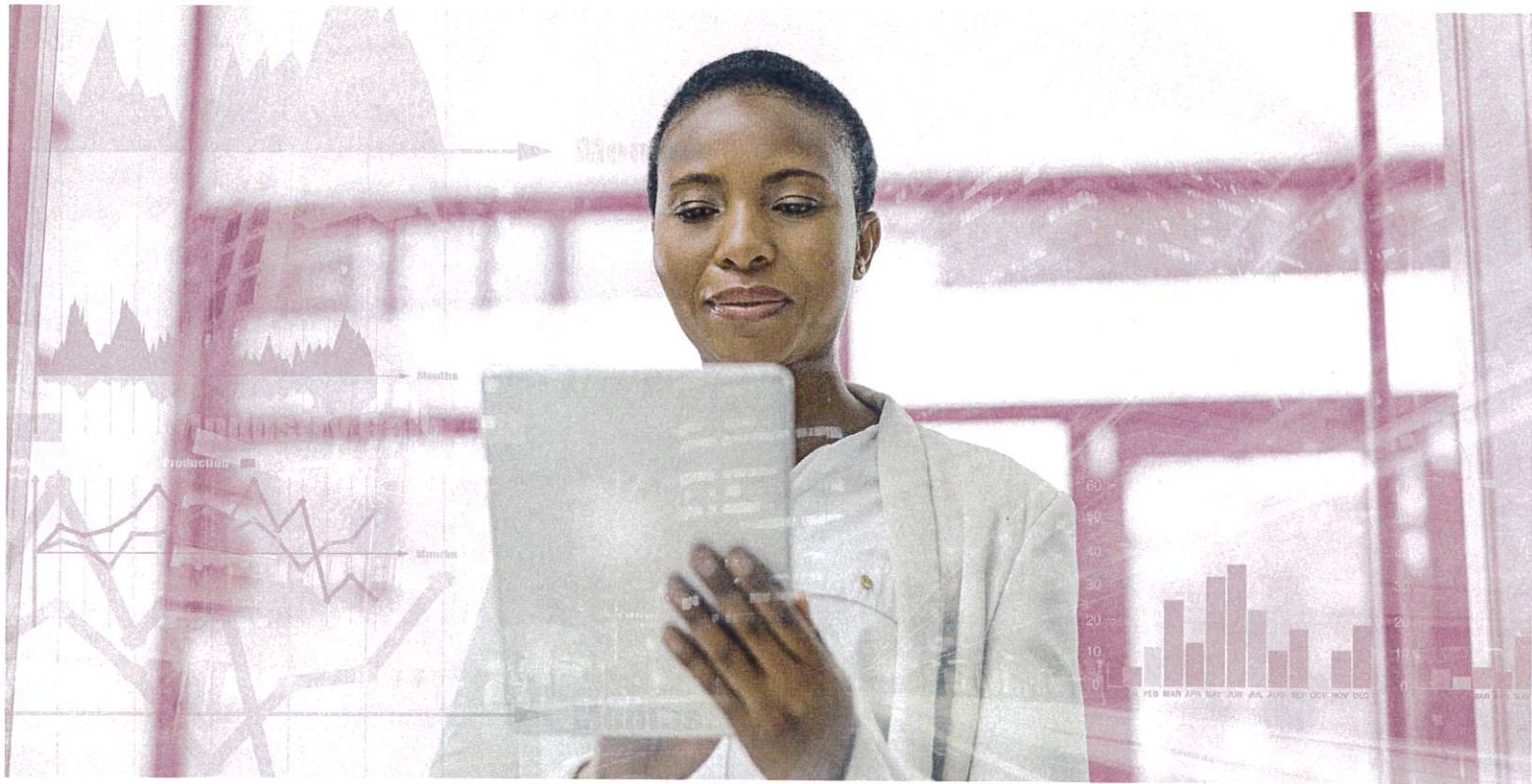
The task force believed that the existing standards were largely applicable to all types of tax services and were drafted to be general in nature, to allow for their use, no matter what type of tax service was being delivered. At the time of the drafting of the original standards, most of the tax services being provided were compliance-oriented and involved tax return preparation.

This revision project has reorganized the standards so that most of the existing standards have been incorporated into either general standards (Standard 1) or compliance standards (Standard 2). Because the proposed new standards around data protection and reliance on tools are applicable to different types of tax services, they were also included with the general standards. The existing standard as related to tax advisory services (Standard 3) and the new standard related to representation services (Standard 4) were determined to be unique and have been separately stated. This alignment is intended to assist members in applying standards to specific tax practice situations and to help them understand the scope and expectations of these standards.

Data protection

The subject of the protection of taxpayer data has exponentially grown over time and has gained global importance as technology now allows for the transfer and storage of large amounts of confidential financial information with the simple press of a button. In many cases, this data is never seen in a hard copy format. The task force believed it was important to implement a standard which ensures members adopt reasonable safeguards to protect taxpayer data, both in electronic format and otherwise.

The task force also recognized that constant advances in technology make it challenging to identify any one set of standards with broad applicability across all tax practices. The purpose of the new standard is to expressly state a member's responsibility to make a reasonable effort to safeguard confidential client information. It was broadly written to consider the variability among member practices as well as continually changing privacy laws and technology.



Reliance on tools

Tax is not a static subject, given regular changes resulting from various legislative and regulatory amendments, and judicial decisions. However, over time, these changes have become more frequent, extensive and complex, with related authoritative guidance from the taxing authorities often delayed or incomplete. This situation often leaves members struggling to (1) provide clients or firm departments the necessary information to allow the correct and accurate preparation and filing of their respective tax returns and (2) plan for future events to efficiently manage potential tax liabilities.

Members have long relied on tools of various types to allow them to accurately interpret a particular provision of the tax code. However, in today's tax practice environment, members rely on technology to provide services more than at any point in history. That trend will continue with the introduction of artificial intelligence, data science, quantum computers and other developing technologies.

Currently, tax professionals do not have a professional standard relating specifically to reliance on these tools when providing services. The task force identified the need for a standard which protects members by

defining when they may reasonably rely on tools of all types used in the performance of tax services.

Tax representation

As previously noted, the best practices that were the forerunner of the existing SSTs were written over fifty years ago. At that time, tax preparation was the overwhelming service that was provided by tax professionals. Since then, tax practices have expanded to provide a wide variety of services including tax representation services. The task force believed the continuing growth in the number of CPA firms providing tax representation services, in various venues, involving different types of taxes, obligated the development of this proposed standard.

Another goal of the task force was to avoid proposing standards which might appear duplicative of other existing standards in effect today. While it is true that CPAs who provide tax services are bound by existing standards related to representation, including Circular 230, such rules may be limited in scope (e.g., Circular 230 only governs representation before the Internal Revenue Service).

Mapping of current standards to proposed standards

The following table maps the current SSTs to the reorganized SSTs and provides additional details related to the proposed revisions.

Table Mapping: Current SSTs to Proposed SSTs			Notes related to proposed changes
SSTs Nos. 1–7 (Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)	Proposed SSTs No. 1–4 (Effective no earlier than Jan. 1, 2024)		
Preface	Preface (modified)		This now includes extant ongoing process section with revisions.
History			The existing history and updates have been relocated and included in the background section of the combined ED/ITC document.
Ongoing process			This content is revised and relocated into the preface section.
	Definitions (NEW)		The definitions section was added at the beginning as these terms are used throughout the standards. There is no change to the existing definition of “taxpayer” or “tax position” from extant standards. The definition of “member” is added to reinforce the applicability of standards.
SSTs No. 1, Tax Return Positions	SSTs No. 1, General Standards for Members Providing Tax Services (NEW)		This is a new standard specifically addressing general matters applicable to all tax services. It consolidates into a single standard guidance from extant SSTs Nos. 1 and 5 along with adding proposed new standards on data protection and reliance on tools.
Introduction	1.1. Advising on Tax Positions		
No. 1 Introduction – ¶1	Introduction 1.1.1. (modified)		This adds reference to tax positions mentioned in the new SSTs No. 2. The definition of tax return position and taxpayer is relocated to the definitions section.

SSTs Nos. 1-7 (Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)	Proposed SSTs No. 1-4 (Effective no earlier than Jan. 1, 2024)	Notes related to proposed changes
No. 1 Introduction – ¶2	1.1.2.	
No. 1 Introduction – ¶3	1.1.3. (modified)	This deletes reference to signing tax returns since this is now covered in the new SSTs No. 2.
Statement	Statement	
No. 1 Statement – ¶4	1.1.4. (NEW)	This is relocated to proposed 1.1.5.
No. 1 Statement – ¶5	1.1.5. (modified)	This expands on the definition of tax position as stated in the definitions section.
No. 1 Statement – ¶6		This includes extant ¶4 and adds a new reference to written standards of other taxing authorities. If the position's likelihood exceeds the "realistic possibility of success" standard, then these other standards should be followed.
No. 1 Statement – ¶7		This is relocated to proposed 2.1.7.
No. 1 Statement – ¶8	1.1.6. (NEW)	This is relocated to proposed 2.1.8.
Explanation	Explanation	This adds reference to due diligence and professional judgement when advising on tax positions.
No. 1 Explanation – ¶9	1.1.7. (modified)	This deletes reference indicating that the member has a responsibility to be an advocate for a taxpayer.
No. 1 Explanation – ¶10	1.1.8. (modified)	This deletes reference to signing returns but keeps the rest of extant paragraph. This also relocates extant paragraph with reference to signing returns to proposed 2.1.10.
		This is relocated to proposed 2.1.11.

SSTs Nos. 1-7
 (Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

Proposed SSTs No. 1-4
 (Effective no earlier than Jan. 1, 2024)

Notes related to proposed changes

No. 1 Explanation – ¶11	1.1.9.	
No. 1 Explanation – ¶12	1.1.10.	
No. 1 Explanation – ¶13	1.1.11.	
No. 1 Explanation – ¶14		
No. 1 Explanation – ¶15	1.1.12.	This is relocated to proposed 2.1.14.
No. 1 Explanation – ¶16		
SSTs No. 2, <i>Answers to Questions on Returns</i>	2.2. Tax Return Questions	
Introduction	Introduction	
No. 2 Introduction – ¶1	2.2.1.	
Statement	Statement	
No. 2 Statement – ¶2	2.2.2. (modified)	This adds reference to acts required before signing as a preparer.
Explanation	Explanation	
No. 2 Explanation – ¶3	2.2.3.	
No. 2 Explanation – ¶4	2.2.4.	
No. 2 Explanation – ¶5	2.2.5.	

SSTs Nos. 1-7

(Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

Proposed SSTs No. 1-4
(Effective no earlier than Jan. 1, 2024)

Notes related to proposed changes

No. 2 Explanation – ¶6

2.2.6. (modified)

This adds the requirement to advise a client if an omission of an answer may cause the return to be incomplete or result in penalty assessment.

No. 2 Explanation – ¶7

2.2.7.

SSTs No. 3, *Certain Procedural Aspects of Preparing Returns*

2.3. Reliance on Information from Others

Introduction

Introduction

No. 3 Introduction – ¶1

2.3.1.

Statement

Statement

No. 3 Statement – ¶2

2.3.2.

No. 3 Statement – ¶3

2.3.3. (modified)

This deleted the reference to the example, “such as taxpayer maintenance of books and records or substantiating documentation to support the reported deduction or tax treatment.”

No. 3 Statement – ¶4

2.3.4. (modified)

This adds reference to other sources including, but not limited to, the tax return of another taxpayer.

Explanation

Explanation

No. 3 Explanation – ¶5

2.3.5.

No. 3 Explanation – ¶6

2.3.6.

No. 3 Explanation – ¶7

2.3.7.

SSTs Nos. 1-7 (Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)	Proposed SSTs No. 1-4 (Effective no earlier than Jan. 1, 2024)	Notes related to proposed changes
No. 3 Explanation - ¶8	2.3.8.	
No. 3 Explanation - ¶9	2.3.9.	
SSTs No. 4, Use of Estimates	2.4. Use of Estimates	
Introduction	Introduction	
No. 4 Introduction - ¶1	2.4.1. (modified)	This added that responsibility of the data lies with the taxpayer.
Statement	Statement	
No. 4 Statement - ¶2	2.4.2. (modified)	This added reference to estimates provided by others but authorized by the taxpayer.
Explanation	Explanation	
No. 4 Explanation - ¶3	2.4.3.	
No. 4 Explanation - ¶4	2.4.4.	
No. 4 Explanation - ¶5	2.4.5. (modified)	This adds reference that a member should inform a taxpayer of his or her duty to maintain records that support the return.
No. 4 Explanation - ¶6	2.4.6.	
No. 4 Explanation - ¶7	2.4.7.	

SSTs Nos. 1-7

(Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

SSTs No. 5, Departure from a Position Previously Concluded in an Administrative Proceeding for Court Decisions

Introduction

No. 5 Introduction – ¶1

No. 5 Introduction – ¶2

No. 5 Introduction – ¶3

Statement

No. 5 Statement – ¶4

Explanation

No. 5 Explanation – ¶5

No. 5 Explanation – ¶6

SSTs No. 6, Knowledge of Error: Return Preparation and Administrative Proceedings

Introduction

No. 6 Introduction – ¶1

No. 6 Introduction – ¶1

No. 6 Introduction – ¶2

Proposed SSTs No. 1-4

(Effective no earlier than Jan. 1, 2024)

2.5. Departure from Previous Positions

Introduction

2.5.1.

2.5.2.

2.5.3.

Statement

2.5.4. (modified)

Explanation

2.3.5. (modified)

2.5.6.

1.2. Knowledge of Errors

Introduction

1.2.1.

1.2.2.

1.2.3.

Notes related to proposed changes

This added reference to tax return positions in proposed 2.1.

This added a statement regarding “unless the taxpayer is contractually bound to a particular tax treatment.”

SSTs Nos. 1-7
 (Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

Proposed SSTs No. 1-4
 (Effective no earlier than Jan. 1, 2024)

Notes related to proposed changes

No. 6 Introduction – ¶3	1.2.4. (NEW)	This references that taxing authorities may impose specific standards in connection with errors discovered during tax engagements.
Statement	1.2.5.	
No. 6 Statement – ¶4	Statement	
	1.2.6. (modified)	This adds reference to errors in an administrative filing. This formally references proposed 3.1.2. related to form advice to be provided.
No. 6 Statement – ¶5	1.2.7. (modified)	This adds reference to prior year returns.
No. 6 Statement – ¶6		This is relocated to proposed 1.2.9.
	1.2.8.	This repeats extant ¶4 and reinforces the need to review the continuance of the client relationship if the client refuses to correct a previously discovered error.
Explanation	1.2.9.	This is relocated from extant ¶6.
No. 6 Explanation – ¶7	Explanation	
	1.2.10.	This formally references proposed 3.1.2. related to form advice to be provided and adds extant ¶14.
No. 6 Explanation – ¶8	1.2.11.	
No. 6 Explanation – ¶9	1.2.12.	
	1.2.13. (NEW)	This references a member's responsibility to both the taxpayer and tax system.

SSTs Nos. 1-7

(Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

- No. 6 Explanation – ¶10
- No. 6 Explanation – ¶11
- No. 6 Explanation – ¶12
- No. 6 Explanation – ¶13
- No. 6 Explanation – ¶14

Proposed SSTs No. 1-4
(Effective no earlier than Jan. 1, 2024)

- 1.2.14.
- 1.2.15.
- 1.2.16.
- 1.2.17.

1.3. Data Protection (NEW)

Introduction

- 1.3.1.
- 1.3.2.
- 1.3.3.

Statement

- 1.3.4.
- 1.3.5.

Explanation

- 1.3.6.

Notes related to proposed changes

This is relocated to proposed 1.2.10.

This is a new standard regarding making reasonable efforts to safeguard taxpayer data.

This states responsibilities for data protection while performing taxpayer services.

Efforts were made to have statements as limited as possible to make them reasonable but still enforceable.

Multiple examples are provided to explain reasonable efforts to safeguard taxpayer data.

SSTs Nos. 1-7
 (Effective Jan. 1, 2010, and updated April 30, 2018,
 to include revised AICPA Code of Professional
 Conduct citations)

Proposed SSTs No. 1-4
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Notes related to proposed changes

1.3.7.

1.3.8.

1.3.9.

1.3.10.

1.3.11.

1.3.12.

1.3.13.

1.4. Reliance On Tools (NEW)

Introduction

1.4.1.

1.4.2.

Statement

1.4.3.

1.4.4.

Explanation

This is a new standard regarding the allowance of members to rely on multiple types of resources in providing tax services.

The definition of tools is provided.

Professional judgement must be used in reliance on tools. The guidance is intentionally broad in scope.

Tools should be used to improve efficiency and enhance a member's understanding of an issue; tools cannot supplant professional judgement.

SSTs Nos. 1-7
 (Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

Proposed SSTs No. 1-4
 (Effective no earlier than Jan. 1, 2024)

Notes related to proposed changes

1.4.5.		
1.4.6.		
1.4.7.		
1.4.8.		
SSTs No. 2, <i>Standards for Members Providing Tax Compliance Services, Including Tax Return Positions</i>		This new standard specifically addresses tax compliance services and consolidates into a single standard guidance from extant SSTs Nos. 1-5.
2.1. Tax Return Positions (NEW)		
Introduction		
2.1.1.		This replicates extant SSTs No. 1, ¶1 but removes definitions of tax return position and taxpayer, since these have been relocated to the definitions section.
2.1.2. (NEW)		This adds reference to tax positions mentioned in proposed SSTs No. 1 and proposed SSTs No. 2.3.
2.1.3.		This replicates extant SSTs No. 1, ¶16.
2.1.4.		This replicates extant SSTs No. 1, ¶2.
Statement		
2.1.5. (NEW)		This adds reference to the definition of tax position in proposed 1.1.4.

SSTs Nos. 1-7

(Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

Proposed SSTs No. 1-4
(Effective no earlier than Jan. 1, 2024)

Notes related to proposed changes

- 2.1.6. This includes extant SSTs No. 1, ¶4 and ¶5 and adds reference to written standards of other taxing authorities. If they exceed the "realistic possibility of success" standard, then these other standards should be followed.
- 2.1.7. This replicates extant SSTs No. 1, ¶6.
- 2.1.8. This replicates extant SSTs No. 1, ¶7.
- 2.1.9. (NEW) This adds guidance related to tax positions proposed by other parties, as referenced in proposed 2.3.
- 2.1.10. This replicates extant SSTs No. 1, ¶9.
- 2.1.11. (modified) This replicates extant SSTs No. 1, ¶10 but deletes the statement referencing the fact that the standards that apply to a taxpayer may differ from those that apply to a member.
- 2.1.12. This replicates extant SSTs No. 1, ¶12.
- 2.1.13. This replicates extant SSTs No. 1, ¶13.
- 2.1.14. This replicates extant SSTs No. 1, ¶14.
- 2.1.15. This replicates extant SSTs No. 1, ¶15.

SSTs No. 7, Form and Content of Advice to Taxpayers

SSTs No. 3, Standards for Members Providing Tax Consulting Services

Introduction

Introduction

SSTs Nos. 1-7

(Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

Proposed SSTs No. 1-4
(Effective no earlier than Jan. 1, 2024)

Notes related to proposed changes

No. 7 Introduction – ¶1	3.1.1. (modified)	This sentence was deleted: “The statement does not, however, cover a member’s responsibilities when the expectation is that the advice rendered is likely to be relied on by parties other than the taxpayer.”
Statement	Statement	
No. 7 Statement – ¶2	3.1.2. (modified)	This added reference to the definition of competence under Circular 230, Section 10.35.
No. 7 Statement – ¶3	3.1.3. (modified)	This added reference to tax return positions in proposed 2.1.
No. 7 Statement – ¶4	3.1.4. (modified)	This adds reference to the requirement of a member to communicate subsequent developments if he or she was engaged to implement tax advice previously provided or is engaged to specifically do so.
Explanation	Explanation	
No. 7 Explanation – ¶5	3.1.5.	
No. 7 Explanation – ¶6	3.1.6.	
No. 7 Explanation – ¶7	3.1.7.	
No. 7 Explanation – ¶8	3.1.8.	
No. 7 Explanation – ¶9	3.1.9.	
No. 7 Explanation – ¶10	3.1.10.	

SSTs Nos. 1-7

(Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

Proposed SSTs No. 1-4

(Effective no earlier than Jan. 1, 2024)

Notes related to proposed changes

No. 7 Explanation – ¶11

3.1.11. (NEW)

Deleted.

This adds guidance about if a member is advising on a position but is not engaged to prepare or sign a tax return, then as long as the member advises the taxpayer on the appropriate disclosure, the standard is satisfied.

3.1.12. (NEW)

This adds guidance about if a member believes that a taxpayer penalty may be assessed, the member should advise the taxpayer about the possible penalty and opportunities for penalty avoidance with appropriate disclosure. This also states that it is the taxpayer's responsibility to decide whether and how to disclose.

No. 7 Introduction – ¶1

3.1.13.

This added a sentence that was deleted in proposed 3.1.1. related to advice likely to be relied on by parties other than the taxpayer.

SSTs No. 4, Standards for Members Providing Tax Representation Services (NEW)

Introduction

This is a new standard on taxpayer representation which focuses on the representation relationship.

4.1.1.

This limits the standard to representations which require a power of attorney. It also references guidance from other sources that must be adhered to.

4.1.2.

Statement

This provides guidance on the steps a member needs to address throughout the course of the representational relationship.

4.1.3.

4.1.4.

SSTs Nos. 1-7

(Effective Jan. 1, 2010, and updated April 30, 2018, to include revised AICPA Code of Professional Conduct citations)

Proposed SSTs No. 1-4

(Effective no earlier than Jan. 1, 2024)

Notes related to proposed changes

4.1.5.

4.1.6.

4.1.7.

4.1.8.

Explanation

4.1.9.

4.1.10.

4.1.11.

Contributors

This addresses competency and other subject areas that members need to be familiar with during the representation engagement, including those imposed by the taxing authorities as well as those included in the AICPA's Code of Professional Conduct.

Members of the TEC, Tax Practice Responsibilities Committee, SSTS Revision Task Force and AICPA staff who participated in the issuance of the ED and the ITC are listed. Similar information was provided in the extant standards without a separate heading.

Effective date

If issued as final, the effective date for these finalized SSTs will be no earlier than Jan. 1, 2024.

Exposure draft

Proposed Statements on Standards for Tax Services

PREFACE

Introduction

Standards are the foundation of a profession. The AICPA aids its members in fulfilling their ethical responsibilities by instituting and maintaining standards against which their professional performance can be measured. Compliance with professional standards of tax practice also reaffirms the public's awareness of the professionalism that is associated with CPAs as well as the AICPA.

This publication sets forth enforceable tax practice standards for members of the AICPA, known as the Statements on Standards for Tax Services (SSTs or statements). These statements apply to all members providing tax services regardless of the jurisdictions in which they practice. Interpretations of these statements may be issued as guidance to assist in understanding and applying the statements. Any such interpretations have the same authority as defined in the AICPA Code of Professional Conduct, ET sec. 0.100.020, *Interpretations and Other Guidance*.

The SSTs and their interpretations are intended to complement other standards of tax practice, such as Treasury Department Circular No. 230, *Regulations Governing Practice before the Internal Revenue Service* (Circular 230), penalty provisions of the Internal Revenue Code and state boards of accountancy rules.

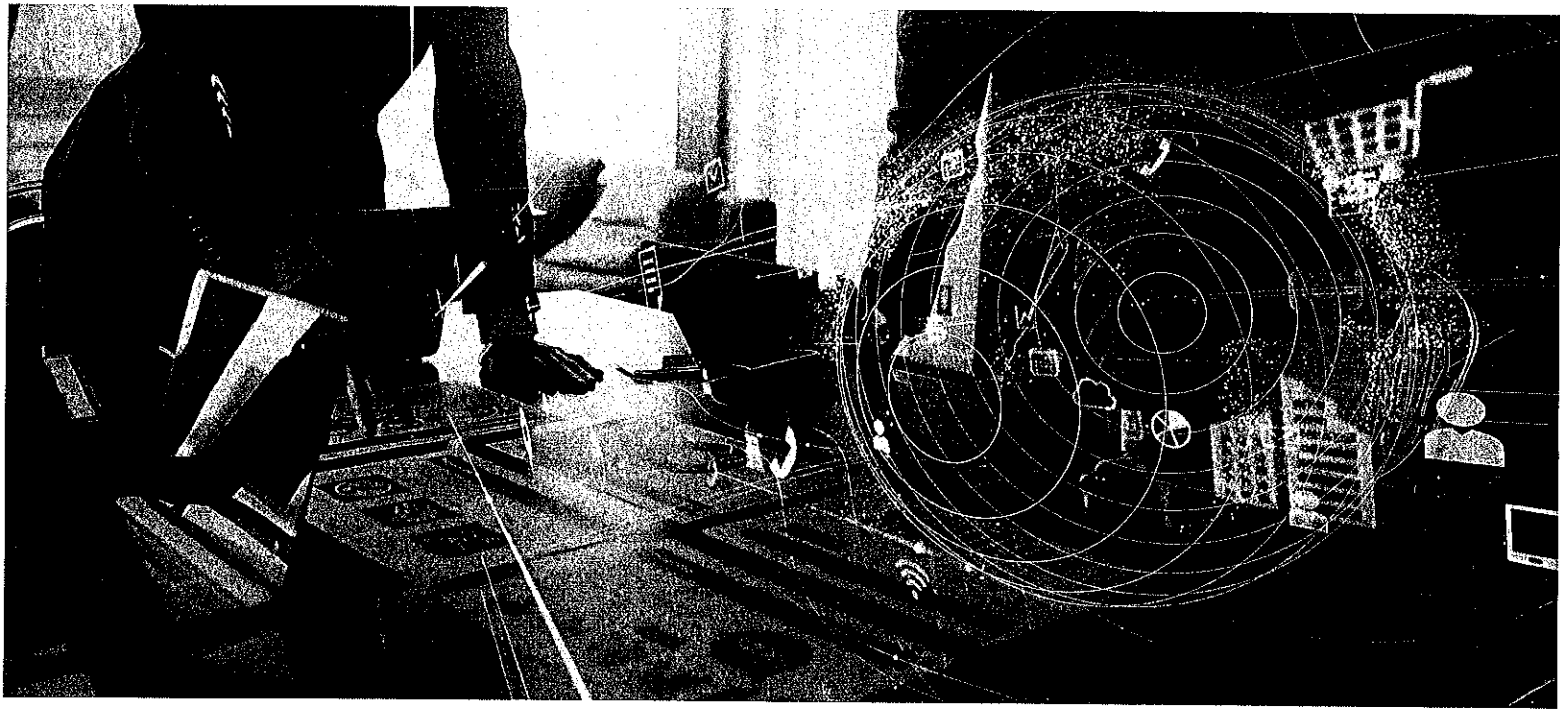
The SSTs are written in as simple and objective a manner as possible. However, by their nature, practice standards provide for an appropriate range of behavior and need to be interpreted to address a broad range of personal and professional situations. The SSTs recognize this need by, in some sections, providing

relatively subjective rules and by leaving certain terms undefined. These terms are generally rooted in tax concepts and, therefore, should be readily understood by tax practitioners. Accordingly, enforcement of the SSTs is under the *General Standards Rule* (AICPA, Professional Standards, ET secs. 1.300.001 and 2.300.001), and the *Compliance with Standards Rule* (AICPA, Professional Standards, ET secs. 1.310.001 and 2.310.001) of the AICPA Code of Professional Conduct, and will be undertaken on a case-by-case basis. Members are expected to comply with these standards.

Ongoing process

The following SSTs and any interpretations issued thereunder reflect the AICPA's standards of tax practice and delineate members' responsibilities to taxpayers, the public, the government and the profession. The statements are intended to be part of an ongoing process of articulating standards of tax practice for members. These standards are subject to change as necessary or appropriate to address changes in the tax law or other developments in the tax practice environment.

To accommodate the complexity and rapid change inherent in the tax practice environment, the AICPA issues supplementary guidance to the SSTs and interpretations in various forms, such as frequently asked questions (FAQs) and practice guides. Such documents are not rules, regulations or official guidance of the Tax Executive Committee (TEC) issued pursuant to its rule-making authority and, therefore, are not authoritative guidance.



Members are encouraged to assess the adequacy of their practices and procedures for providing tax services in conformity with these standards. This process will vary according to the size of the practice and the nature of tax services performed.

The TEC promulgates the SSTs and their interpretations. Acknowledgment is also due to the many members who have devoted their time and efforts over the years to developing and revising the AICPA's standards.

Form of standards

Each statement is divided into subsections that address a variety of aspects related to tax services. Although some statements have several subsections that address different aspects of tax services, the subsections should be applied as essential elements of the entire statement generally related to all tax services.

- For ease of analysis, each subsection contains an introduction and an explanation section.
- In addition to the AICPA, applicable tax authorities may impose specific reporting and disclosure standards with regard to advising on tax return positions or preparing or signing tax returns. These standards can vary between taxing authorities and by type of tax.
- A member should refer to the current version of Internal Revenue Code Sec. 6694, *Understatement of taxpayer's liability by tax return preparer*, the most

recent version of Circular 230 and other applicable tax authority guidance to determine the reporting and disclosure standards that are applicable to the service being provided.

Definitions

All terms herein are as defined in the AICPA Code of Professional Conduct except as noted below.

- **Taxpayer:** A taxpayer is a client, a member's employer or any other third-party recipient of tax services.
- **Tax position:** A tax position is (i) a position reflected on a tax return on which a member has specifically advised a taxpayer or (ii) a position about which a member has knowledge of all material facts and, on the basis of those facts, has concluded whether the position is appropriate.
- **Member:** Consistent with the AICPA Code of Professional Conduct, ET sec. 0.100; unless otherwise noted, the SSTs apply to all members providing tax services.

1.1. Advising on tax positions

Introduction

- 1.1.1. This statement defines tax positions and sets forth the general standards for members advising on tax positions. Standards related to tax return positions are contained in Statement on Standards for Tax Services No. 2, *Standards for Members Providing Tax Compliance Services, Including Tax Return Positions*.
- 1.1.2. This statement also addresses a member's obligation to advise a taxpayer of relevant tax disclosure responsibilities and potential penalties.
- 1.1.3. In addition to the AICPA, applicable taxing authorities may impose specific reporting and disclosure standards with regard to advising on tax positions. These standards can vary between taxing authorities and by type of tax.

Statement

- 1.1.4. A tax position is a conclusion reached when applicable tax law, regulations, case law or other regulatory or recognized guidance is applied to a particular transaction, a specific set of facts and circumstances or a controversy.
- 1.1.5. A member should determine and comply with the standards, if any, that are imposed by the applicable taxing authority with respect to advising on tax positions.
- a. If the applicable taxing authority has no promulgated standards with respect to advising on tax positions, a member should not advise a taxpayer to take a tax position unless the member has a good-faith belief that the position has at least a realistic possibility of being sustained administratively or judicially on its merits if challenged.

- b. If the applicable taxing authority has written standards that exceed the realistic possibility standard described in 1.1.5.a. above, the member should comply with those taxing authority standards.
- c. Notwithstanding section 1.1.5.a. and b., a member may, as permitted by a taxing authority, advise a taxpayer to take a tax position where the member (i) concludes that there is a reasonable basis for the position and (ii) advises the taxpayer to appropriately disclose that position.

1.1.6. A member should exercise due diligence and professional judgment when advising on tax positions for a particular situation. Such diligence and judgment should inform the scope of the member's inquiry undertaken in the authoritative pronouncements for the particular tax in question and, where appropriate, in professional and other literature related to the issues in question.

1.1.7. When advising on a tax position, a member has the right to be an advocate for the taxpayer with respect to a position satisfying the aforementioned standards.

Explanation

1.1.8. The AICPA and various taxing authorities impose specific standards with respect to tax positions. In a given situation, the standards, if any, imposed by the applicable taxing authority may be higher or lower than the standards set forth in section 1.1.5. A member is to comply with the standards, if any, of the applicable taxing authority; if the applicable taxing authority has no standards or if its standards are lower than the standards set forth in section 1.1.5., the standards set forth in section 1.1.5. will apply.

- 1.1.9. In addition to a duty to the taxpayer, a member has a duty to the tax system. However, it is well established that the taxpayer has no obligation to pay more taxes than are legally owed, and a member has a duty to the taxpayer to assist in achieving that result or any other legally valid tax outcome the taxpayer desires. The standards contained in section 1.1.5. recognize a member's responsibilities to both the taxpayer and the tax system.
- 1.1.10. In reaching a conclusion concerning whether a given standard in section 1.1.5. has been satisfied with respect to a particular jurisdiction, a member may consider a well-reasoned construction of the applicable statute and related regulations of that jurisdiction, if any, well-reasoned articles or treatises or guidance issued by the applicable taxing authority, regardless of whether such sources would be treated as authority under Internal Revenue Code Section 6662, *Imposition of accuracy-related penalty on underpayments*, and the regulations thereunder. A position would not fail to meet these standards merely because the position is later abandoned for practical or procedural considerations during an administrative hearing or in the litigation process.
- 1.1.11. If a member has a good-faith belief that more than one tax position meets the standards set forth in section 1.1.5., a member's advice concerning alternative acceptable positions may include a discussion of the likelihood that each such position might or might not be challenged by the taxing authority.
- 1.1.12. If particular facts and circumstances lead a member to believe that a taxpayer penalty might be asserted, the member should so advise the taxpayer and should discuss with the taxpayer the opportunity, if any, to avoid such penalty by appropriate disclosure to the taxing authority. A member should also advise the taxpayer it is their responsibility to decide whether and how to disclose.

1.2. Knowledge of errors

Introduction

- 1.2.1. This statement sets forth the applicable standards for a member who becomes aware of (a) an error in a taxpayer's previously filed tax return; (b) an error in a return that is the subject of an administrative proceeding, such as an examination by a taxing authority or an appeals conference; or (c) a taxpayer's failure to file a required tax return.
- 1.2.2. As used herein, the term error includes any position, omission or method of accounting that, at the time a position is advised or a return is filed, fails to meet the standards set out in 1.1, *Advising on Tax Positions*, or 2.1, *Tax Return Positions*. The term error also includes a position taken on a prior year's return that no longer meets these standards due to legislation, judicial decisions or administrative pronouncements having retroactive effect. However, an error does not include an item that has an insignificant effect on the taxpayer's tax liability. The term administrative proceeding does not include a criminal proceeding.
- 1.2.3. This statement applies whether or not the member prepared or signed a return that contains the error.
- 1.2.4. In addition to the AICPA, applicable taxing authorities may impose specific standards with regard to errors discovered during the provision of tax services by a member. These standards can vary between taxing authorities and by type of tax.
- 1.2.5. Special considerations may apply when a member has been engaged by legal counsel to provide assistance in a matter relating to a taxpayer.

Statement

- 1.2.6. A member should inform a taxpayer promptly upon becoming aware of the taxpayer's failure to file a required return, an error in a previously filed return, an error in a return that is the subject of an administrative proceeding, an error in an

administrative filing (such as a ruling request, accounting method change, etc.) or an error in advice provided. A member also should advise the taxpayer of the potential consequences of the error and advise on corrective measures to be taken. Such advice may be given orally. See also section 3.1.2. regarding the documentation of advice.

- 1.2.7. If a member prepares a tax return for the current or a prior tax year, and the taxpayer has not taken appropriate action to correct an error related to a tax return position in a tax return for a prior year, the member should consider whether to withdraw from preparing the current return and whether to continue a professional or employment relationship with the taxpayer. If the member does prepare the current year return, the member should take reasonable steps to ensure that the error is not repeated.
- 1.2.8. A member is not allowed to inform a taxing authority of an error without the taxpayer's permission, except when required by law. Members also should consider whether they can continue a professional relationship with a taxpayer who refuses to properly mitigate a discovered error.
- 1.2.9. If a member is representing a taxpayer in an administrative proceeding with respect to a return that contains an error of which the member is aware, the member should request the taxpayer's agreement to disclose the error to the taxing authority. Lacking such agreement, the member should consider whether to withdraw from representing the taxpayer in the administrative proceeding and whether to continue a professional or employment relationship with the taxpayer.

Explanation

- 1.2.10. If a member becomes aware of an error while performing tax services, the member's responsibility is to advise the taxpayer of the existence of the error. The member should advise the taxpayer of the error and the potential consequences, and advise on corrective measures to be taken, if any. If the

member does not prepare the taxpayer's tax return or was not the provider of the advice, the member may instead advise that the error be discussed with the taxpayer's tax return preparer or advisor. Similarly, when representing the taxpayer before a taxing authority in an administrative proceeding with respect to a return containing an error of which the member is aware, the member should advise the taxpayer to disclose the error to the taxing authority and of the potential consequences of not disclosing the error. Refer to section 3.1.2. for considerations regarding the decision to provide such advice in oral or written form.

- 1.2.11. It is the taxpayer's responsibility to decide whether to correct an error. If the taxpayer does not correct an error, a member should consider whether to withdraw from the engagement and whether to continue a professional or employment relationship with the taxpayer. Although recognizing that the taxpayer may not be required by statute to correct an error by filing an amended return, a member should consider whether a taxpayer's decision not to file an amended return or otherwise correct an error may predict future behavior that might require termination of the relationship.
- 1.2.12. Once the member has obtained the taxpayer's consent to disclose an error in an administrative proceeding, the disclosure should not be delayed to such a degree that the taxpayer or member might be considered to have failed to act in good faith or to have, in effect, provided misleading information. In any event, disclosure should be made before the conclusion of the administrative proceeding.
- 1.2.13. Members have a responsibility to both the taxpayer and the tax system. Discovery of an error in an administrative proceeding or filing, such as a ruling request, might negate the effect of the ruling if not disclosed to the authority. Failure to comply with statutory or regulatory compliance requirements impact not only the taxpayer, but also the integrity of the entire tax system.

- 1.2.14. A conflict between the member's interests and those of the taxpayer may be created by, for example, the potential for violating Code of Professional Conduct, *Confidential Client Information Rule* (AICPA, Professional Standards, ET sec. 1.700.001) (relating to the member's confidential client relationship); the tax law and regulations; or laws on privileged communications, as well as by the potential adverse impact on a taxpayer of a member's withdrawal. Therefore, a member should consider consulting with his or her own legal counsel before deciding upon providing advice to the taxpayer and whether to continue a professional or employment relationship with the taxpayer.
- 1.2.15. If a member believes that a taxpayer may face possible exposure to allegations of fraud or other criminal misconduct, the member should advise the taxpayer to consult with an attorney before the taxpayer takes any action.
- 1.2.16. If a member decides to continue a professional or employment relationship with the taxpayer and is requested to prepare a tax return for a year subsequent to that in which an error occurred, the member should take reasonable steps to ensure that the error is not repeated. If the subsequent year's tax return cannot be prepared without perpetuating the error, the member should consider withdrawal from the return preparation. If a member learns that the taxpayer is using an erroneous method of accounting and it is past the due date to request permission to change to a method meeting the standards of section 2.1.1., the member may sign a tax return for the current year, providing the tax return includes appropriate disclosure of the use of the erroneous method.
- 1.2.17. Whether an error has no more than an insignificant effect on the taxpayer's tax liability is left to the professional judgment of the member based on all the facts and circumstances known to the member. In judging whether an erroneous method of accounting has more than an insignificant effect, a member

should consider the method's cumulative effect, as well as its effect on the tax advice provided, current year's tax return or the tax return that is the subject of the administrative proceeding.

1.3. Data protection

Introduction

- 1.3.1. This statement sets forth the applicable standards for a member's responsibilities related to the protection of taxpayer data obtained in the course of rendering services for a taxpayer.
- 1.3.2. A member's responsibility to protect taxpayer information is a well-established professional responsibility. The increasing use of technology by individuals and businesses, together with a growing awareness and attention of data breaches and identity theft, has resulted in a growing sensitivity towards and need for a focus on the protection of taxpayer data, including electronic data.
- 1.3.3. This standard complements, and does not alter or replace, the confidentiality standards established in the AICPA Code of Professional Conduct 1.700.001, *Confidential Information Rule* and the Interpretations thereunder.

Statement

- 1.3.4. A member should make reasonable efforts to safeguard taxpayer data, including data transmitted or stored electronically.
- 1.3.5. A member should consider applicable privacy laws when collecting and storing taxpayer data.

Explanation

- 1.3.6. The statement uses the term "reasonable," knowing that actions or behaviors considered "reasonable" may differ over time, among members and from firm to firm based on size and resources. The absence of any bright-line rules was purposeful, allowing for changing technology, laws, guidance and practice.

- 1.3.7. Appropriate safeguards should be implemented to protect both member and taxpayer data stored within the member's information systems platform. Appropriate safeguards should be based on current recommended practices, and may, for example, include the installation and use of commercial security software to prevent unwanted or unauthorized access to information, encryption of data that is sent between multiple parties over the internet, the use of secure networks, strong password policies, use of firewalls and use of secure data sharing/collaboration platforms.
- a. A member should consider other industry standards, such as the AICPA's [Privacy Management Framework](#) and [Trust Services Criteria](#) when developing a privacy program.
- 1.3.8. Members may use electronic tools owned and hosted by others, such as tax return preparation software, or may outsource certain tasks, such as converting paper documents to electronic information. Members should take reasonable efforts to confirm that taxpayer information properly shared with others in the course of providing a service is appropriately protected.
- 1.3.9. A member should take reasonable steps to limit the amount of taxpayer confidential information in the member's files. For example, the member should collect only the information necessary to perform the services for which the member is being engaged or otherwise approved to perform by the taxpayer, returning or redacting any confidential taxpayer information unnecessary to complete the services. This may also include insisting that any personally identifiable information (PII) or personal health information (PHI) be masked/anonymized prior to receipt by the member. Additionally, adherence to appropriate document retention and destruction policies can help to ensure that taxpayer data is properly removed from a member's information systems once it is no longer needed under the respective statute of limitations or the member's document retention policies.
- 1.3.10. In developing safeguards, members should also consider steps to be taken in the event of a data breach, including compliance with notification obligations. For example, the Federal Trade Commission (FTC) provides recommendations that include securing systems and fixing issues that are attributed to the breach. Consider forming a plan to quickly respond to those affected by the breach. Notify appropriate authorities of the breach as required by law.
- 1.3.11. Members should consider applicable privacy laws. For example, the Financial Services Modernization Act of 1999 (also referred to as the Gramm-Leach-Bliley Act (GLBA)), requires professional tax return preparers to ensure the security and confidentiality of customer (i.e., taxpayer) financial information. As part of the implementation of the GLBA, the FTC issued the Safeguards Rule, requiring the development of a written information security plan that describes the program put in place to protect taxpayer information commensurate with relative firm size of the member and complexity of services provided. Additionally, under these rules, return preparers are responsible for taking steps to ensure that their affiliates and service providers safeguard taxpayer information in their care. As with many privacy laws, the FTC has subsequently updated the rule to keep pace with technology and members should periodically review applicable privacy laws to keep abreast of applicable rules.
- 1.3.12. A member should have general knowledge of the current security expectations of taxing authorities and taxpayers. Data security is a topic addressed in the tax press and by taxing authorities. For example, at the time of this writing, the IRS has a webpage with links to various publications and other information related to data protection. Members are not expected to become experts in this area, but it is reasonable that a member avail himself or herself of the information made generally available to tax professionals on the subject, including those referenced in section 1.3.7.1.

- 1.3.13. Training is a vital component of any data protection plan. A member should make reasonable efforts to ensure all non-member personnel who the member supervises should be trained and informed about data protection. For example, staff should be informed how to recognize phishing emails and the dangers of opening or downloading attachments from unknown senders.

1.4. Reliance on tools

Introduction

- 1.4.1. This statement sets forth the applicable standards for members when relying on tools in the provision of tax services including, but not limited to, the preparation of a tax return, tax consulting services and tax representation.
- 1.4.2. For purposes of this section, a tool is a resource used in the provision of tax services. Tools include, but are not limited to, tax preparation software, tax research publications (paper or electronic), tax-related calculation aides, tax planning software, state and local tax aids, online data search engines, data analytics, statistical models, artificial intelligence and relevant professional publications and resources.

Statement

- 1.4.3. A member should exercise appropriate professional judgement and professional care when relying on a tool.
- 1.4.4. A member may reasonably rely on tools used in providing tax services to a taxpayer. Use of the tool does not absolve the member of his or her professional obligations under AICPA or other applicable ethical standards.

Explanations

- 1.4.5. Tools developed for use in the provision of tax services provide significant benefits to members. It is generally a best practice of a member to rely on such tools to a certain extent to improve efficiency and client service.
- 1.4.6. The source of the tools must be considered when determining the appropriate level of reliance on that tool. For example, subscription-based tax research tools and resources may have more weight than opinion articles from independent internet sources.
- 1.4.7. A member who employs tools in providing tax services remains responsible for the completed work product in accordance with the various other standards contained in the statements. Accordingly, members should take reasonable steps to satisfy themselves that the results presented by the use of various tools are reliable. For example, a member should confirm that the calculation of taxable income and tax liability for an income tax return that is completed using professional tax return preparation software is accurate and meets the standards for tax return positions established in 2.1, *Tax Return Positions*.
- 1.4.8. Tools should be used to enhance or improve the member's understanding of a tax issue, not to supplant the member's professional judgement. For example, when preparing a Federal Form 1040, *U.S. Individual Income Tax Return*, a member must still attest under penalties of perjury that, to the best of the preparer's knowledge and belief, the return and accompanying schedules are true, correct and complete. That responsibility cannot be transferred entirely to reliance on a tool.

2.1. Tax return positions

Introduction

- 2.1.1. This statement sets forth the applicable standards for members preparing or signing tax returns (including amended returns, claims for refund and information returns) filed with any taxing authority.
- 2.1.2. Additional standards apply to tax positions which a member advises on. Refer to 1.1, *Advising on Tax Positions*. When signing or preparing a tax return that includes a tax position which a third party advised on, also refer to 2.3, *Reliance on Information from Others*.
- 2.1.3. For purposes of this statement, preparation of a tax return includes giving advice on events that have occurred at the time the advice is given if the advice is directly relevant to determining the existence, character or amount of a schedule, entry or other portion of a tax return.
- 2.1.4. This statement also addresses a member's obligation to advise a taxpayer of relevant tax return disclosure responsibilities and potential penalties.

Statement

- 2.1.5. A tax return position is a tax position (as defined in section 1.1.4) that is reflected on a tax return prepared by a member or for which a member signs as preparer.
- 2.1.6. A member should determine and comply with the standards, if any, that are imposed by the applicable taxing authority with respect to preparing or signing a tax return.
 - a. If the applicable taxing authority has no written standards with respect to preparing or signing a tax return, a member should not prepare or sign the tax return unless the member has a good-faith belief that the tax return position has at least a realistic possibility of being sustained administratively or judicially on its merits if challenged.
- 2.1.7. When preparing or signing a tax return on which a tax return position is taken, a member should, when relevant, advise the taxpayer regarding potential penalty consequences of such tax return position and the opportunity, if any, to avoid such penalties through disclosure.
- 2.1.8. A member should not advise a taxpayer to take a tax return position or prepare or sign a tax return reflecting a tax return position that the member knows:
 - a. exploits the audit selection process of a taxing authority, or
 - b. serves as a mere arguing position advanced solely to obtain leverage in a negotiation with a taxing authority.
- 2.1.9. A member may rely, in good faith, on the tax positions proposed by others regarding the issues being considered, provided the member is satisfied that the standards in 2.3, *Reliance on Information from Others*, are satisfied.
 - b. If the applicable taxing authority has written standards that exceed the realistic possibility standard described in section 2.1.6.a. above, the member should comply with those taxing authority standards.
 - c. Notwithstanding section 2.1.6.a. and b., a member may, as permitted by a taxing authority, prepare or sign a tax return which includes a tax return position where (i) the member concludes there is a reasonable basis for the tax return position and (ii) the position is appropriately disclosed.

Explanation

- 2.1.10. The AICPA and various taxing authorities impose specific reporting and disclosure standards with respect to tax return positions and preparing or signing tax returns. In a given situation, the standards, if any, imposed by the applicable taxing authority may be higher or lower than the standards set forth in section 2.1.6. A member is to comply with the standards, if any, of the applicable taxing authority. If the applicable taxing authority has no standards or if its standards are lower than the standards set forth in section 2.1.6, the standards set forth in section 2.1.6. will apply.
- 2.1.11. Our self-assessment tax system can function effectively only if taxpayers file tax returns that are true, correct and complete. A tax return is prepared based on a taxpayer's representation of facts, and the taxpayer has the final responsibility for positions taken on the return.
- 2.1.12. In reaching a conclusion concerning whether a given standard in 2.1.6. has been satisfied, a member may consider a well-reasoned construction of the applicable statute and related regulations, if any, well-reasoned articles or treatises or pronouncements issued by the applicable taxing authority, regardless of whether such sources would be treated as authority under Internal Revenue Code Section 6662, *Imposition of accuracy-related penalty on underpayments*, and the regulations thereunder. A position would not fail to meet these standards merely because it is later abandoned for practical or procedural considerations during an administrative hearing or in the litigation process.
- 2.1.13. If a member has a good-faith belief that more than one tax return position meets the standards set forth in section 2.1.6., a member's advice concerning alternative acceptable positions may include a discussion of the likelihood that each such position might or might not cause the taxpayer's tax return to be examined and whether the position would be challenged in an examination. In such

circumstances, such advice is not a violation of section 2.1.6.

- 2.1.14. A member's advising on whether information is appropriately disclosed by the taxpayer should be based on the facts and circumstances of the particular case and the disclosure requirements of the applicable taxing authority. If a member advising on a tax position, but not engaged to prepare or sign the related tax return, advises the taxpayer concerning appropriate disclosure of the position, then the member shall be deemed to meet the disclosure requirements of these standards.
- 2.1.15. If particular facts and circumstances lead a member to believe that a taxpayer penalty might be asserted, the member should so advise the taxpayer and should discuss with the taxpayer the opportunity, if any, to avoid such penalty by disclosing the position on the tax return. A member should also advise the taxpayer it is their responsibility to decide whether and how to disclose.

2.2. Tax return questions

Introduction

- 2.2.1. This statement sets forth the applicable standards for members when signing the preparer's declaration on a tax return if one or more questions on the return have not been answered. The term questions include requests for information on the return, in the instructions or in the regulations, whether or not stated in the form of a question.

Statement

- 2.2.2. Before signing as preparer, a member should take reasonable steps to obtain from the taxpayer the information necessary to provide appropriate answers to all required questions on a tax return.

Explanation

- 2.2.3. It is recognized that the questions on tax returns are not of uniform importance, and often they are not applicable to the particular taxpayer. Nevertheless, there are at least three reasons why a member should be satisfied that a reasonable effort has been made to obtain information to provide appropriate answers to the questions on the return that are applicable to a taxpayer:
- a. A question or other information may be of importance in determining taxable income or loss, or the tax liability shown on the return, in which circumstance an omission may detract from the completeness of the return.
 - b. A request for information may require a disclosure necessary for a complete return or to avoid penalties.
 - c. A member often must sign a preparer's declaration stating that the return is true, correct and complete. Additionally, this may be stipulated as being signed under penalties of perjury.
- 2.2.4. Reasonable grounds may exist for omitting an answer to a question applicable to a taxpayer. For example, reasonable grounds may include the following:
- a. The information is not readily available and the answer is not significant in terms of its impact on taxable income or loss, or the tax liability shown on the return.
 - b. Genuine uncertainty exists regarding the meaning of a question in relation to the particular return.
 - c. The information requested is voluminous; in such cases, a statement should be made on the return that the information will be supplied upon request.
- 2.2.5. A member should not omit an answer merely because it might prove disadvantageous to a taxpayer.
- 2.2.6. A member should consider whether the omission of an answer to a question may cause the return to be deemed incomplete or result in penalties, and advise the taxpayer accordingly.
- 2.2.7. If reasonable grounds exist for omission of an answer to an applicable question, a taxpayer is not required to provide on the return an explanation of the reason for the omission.

2.3. Reliance on information from others

Introduction

- 2.3.1. This statement sets forth the applicable standards for members concerning the obligation to examine or verify certain supporting data or to consider information related to another taxpayer when preparing a taxpayer's tax return.

Statement

- 2.3.2. In preparing or signing a return, or a portion of a return, a member may in good faith rely, without verification, on information furnished by the taxpayer or by third parties. However, a member should not ignore the implications of information furnished and should make reasonable inquiries if the information furnished appears to be incorrect, incomplete or inconsistent either on its face or on the basis of other facts known to the member. A member should consider one or more of the taxpayer's prior year tax returns, or a portion of a return, whenever feasible.
- 2.3.3. If the tax law or regulations impose a condition with respect to deductibility or other tax treatment of an item, a member should make reasonable inquiries to determine to the member's satisfaction whether such condition has been met.
- 2.3.4. When preparing a tax return, a member should consider relevant information actually known by that member from other sources, including the tax return of another taxpayer. In using such information, a member should consider any limitations imposed by any law or rule relating to confidentiality.

Explanation

- 2.3.5. The preparer's declaration on a tax return often states that the information contained therein is true, correct and complete to the best of the preparer's knowledge and belief based on all information known by the preparer. This type of reference should be understood to include information furnished by the taxpayer or by third parties to a member in connection with the preparation of the return.
- 2.3.6. The preparer's declaration does not require a member to examine or verify supporting data; a member may rely on information furnished by the taxpayer unless it appears to be incorrect, incomplete or inconsistent. However, there is a need to determine by inquiry that a specifically required condition, such as maintaining books and records or substantiating documentation, has been satisfied and to obtain information when the material furnished appears to be incorrect, incomplete or inconsistent. Although a member has certain responsibilities in exercising due diligence in preparing a return, the taxpayer has the ultimate responsibility for the contents of the return. Thus, if the taxpayer presents unsupported data in the form of lists of tax information, such as dividends and interest received, charitable contributions and medical expenses, such information may be used in the preparation of a tax return without verification unless it appears to be incorrect, incomplete or inconsistent either on its face or on the basis of other facts known to a member.
- 2.3.7. Even though there is no requirement to examine underlying documentation, a member should encourage the taxpayer to provide supporting data where appropriate. For example, a member should encourage the taxpayer to submit underlying documents for use in tax return preparation to permit full consideration of income and deductions arising from security transactions and from pass-through entities, such as estates, trusts, partnerships and S corporations.
- 2.3.8. The source of information provided to a member by a taxpayer for use in preparing the return is often a pass-through entity, such as a limited partnership, in which the taxpayer has an interest but is not involved in management. A member may accept the information provided by the pass-through entity without further inquiry, unless there is reason to believe it is incorrect, incomplete or inconsistent, either on its face or on the basis of other facts known to the member. In some instances, it may be appropriate for a member to advise the taxpayer to ascertain the nature and amount of possible exposure to tax deficiencies, interest and penalties by taxpayer contact with management of the pass-through entity.
- 2.3.9. A member should make use of a taxpayer's returns for one or more prior years in preparing the current return whenever feasible. Reference to prior returns and discussion of prior-year tax determinations with the taxpayer often provides information to determine the taxpayer's general tax status, avoid the omission or duplication of items and afford a basis for the treatment of similar or related transactions. As with the examination of information supplied for the current year's return, the extent of comparison of the details of income and deduction between years depends on the particular circumstances.

2.4. Use of estimates

Introduction

- 2.4.1. This statement sets forth the applicable standards for members when using the taxpayer's estimates in the preparation of a tax return. Appraisals or valuations are not considered estimates for purposes of this statement. The accuracy of the estimate is the responsibility of the taxpayer.

Statement

2.4.2. Unless prohibited by statute, administrative rule or judicial holdings, a member may use estimates, whether from the taxpayer or other sources authorized by the taxpayer as permitted in 2.3, *Reliance on Information from Others*, in the preparation of a tax return if it is not practical to obtain exact data and if the member determines that the estimates are reasonable based on the facts and circumstances known to the member. Estimates should be presented in a manner that does not imply greater accuracy than exists.

Explanation

2.4.3. Accounting requires the exercise of professional judgment and, in many instances, the use of approximations based on judgment. The application of such accounting judgments, as long as not in conflict with rules set forth by a taxing authority, is acceptable. These judgments are not estimates within the purview of this statement. For example, a federal income tax regulation provides that if all other conditions for accrual are met, the exact amount of income or expense need not be known or ascertained at year end if the amount can be determined with reasonable accuracy.

2.4.4. When the taxpayer's records do not accurately reflect information related to small expenditures, accuracy in recording some data may be difficult to achieve. Therefore, the use of estimates by a taxpayer in determining the amount to be deducted for such items may be appropriate.

2.4.5. When records are missing or precise information about a transaction is not available at the time the return must be filed, a member may prepare a tax return using a taxpayer's estimates of the missing data. The member should inform the taxpayer of the taxpayer duty to maintain records that support the return.

2.4.6. Estimated amounts should not be presented in a manner that provides a misleading impression about the degree of factual accuracy.

2.4.7. Specific disclosure that an estimate is used for an item in the return is not generally required; however, such disclosure should be made in unusual circumstances where nondisclosure might mislead the taxing authority regarding the degree of accuracy of the return as a whole. Some examples of unusual circumstances include the following:

- a. A taxpayer has died or is ill at the time the return must be filed.
- b. A taxpayer has not received a Schedule K-1 for a pass-through entity at the time the tax return is to be filed.
- c. There is litigation pending (for example, a bankruptcy proceeding) that bears on the return.
- d. Fire, technology issues or natural disaster has destroyed the relevant records.

2.5. Departure from previous positions

Introduction

2.5.1. This statement sets forth the applicable standards for members in advising on a tax return position that departs from the position determined in an administrative proceeding or in a court decision with respect to the taxpayer's prior return.

2.5.2. For purposes of this statement, administrative proceeding includes an examination by a taxing authority or an appeals conference relating to a return or a claim for refund.

2.5.3. For purposes of this statement, court decision means a decision by any court having jurisdiction over tax matters.

Statement

2.5.4. Unless the taxpayer is bound to a specified treatment of a tax return position in a later tax year, the member may advise on a tax return position or prepare or sign a tax return that departs from the treatment of an item as concluded in an administrative proceeding or court decision with respect to a prior return of the taxpayer, provided the requirements of 2.1, *Tax Return Positions*, are satisfied.

Explanation

2.5.5. If an administrative proceeding or court decision has resulted in a determination concerning a specific tax treatment of an item in a prior year's return, a member will usually advise this same tax treatment in subsequent years. However, unless the taxpayer is contractually bound to a particular tax treatment, departures from consistent treatment may be justified under such circumstances as the following:

- a. Taxing authorities tend to act consistently in the disposition of an item that was the subject of a prior administrative proceeding but generally are not bound to do so. Similarly, a taxpayer is not bound to follow the tax treatment of an item as consented to in an earlier administrative proceeding.

- b. The determination in the administrative proceeding or the court's decision may have been caused by a lack of documentation. Supporting data for the later year may be appropriate.

- c. A taxpayer may have yielded in the administrative proceeding for settlement purposes or not appealed the court decision, even though the position met the standards in 2.1, *Tax Return Positions*.

- d. Court decisions, rulings or other authorities that are more favorable to a taxpayer's current position may have developed since the prior administrative proceeding was concluded or the prior court decision was rendered.

2.5.6. The consent in an earlier administrative proceeding and the existence of an unfavorable court decision are factors that the member should consider in evaluating whether the standards in 2.1, *Tax Return Positions*, are met.

Statement on Standards for Tax Services No. 3, *Standards for Members Providing Tax Consulting Services*

Introduction

3.1.1. This statement sets forth the applicable standards for members concerning certain aspects of providing tax advice to a taxpayer and considers the circumstances in which a member has a responsibility to communicate with a taxpayer when subsequent developments affect advice previously provided.

Statement

3.1.2. A member should use professional judgment to ensure that tax advice provided in a tax consulting engagement reflects competence and is based on applicable standards. For this purpose, competence follows the definition established in Section 10.35 of Circular 230. A member may communicate tax advice in writing or orally. When communicating tax advice in writing, a member should comply with relevant taxing authorities' standards, if any, applicable to written tax advice. A member should use professional judgment about any need to document oral advice. A member is not required to follow a standard format when communicating or documenting oral and written advice.

3.1.3. A member should assume that tax advice provided to a taxpayer will affect the manner in which the matters or transactions considered would be reported or disclosed on the taxpayer's tax returns. Therefore, for tax advice given to a taxpayer, a member should consider, when relevant (a) return reporting and disclosure standards applicable to the related tax position and (b) the potential penalty consequences of the return position. In ascertaining applicable return reporting and disclosure standards, a member should follow the standards in 2.1, *Tax Return Positions*.

3.1.4. A member has no professional obligation to communicate the impact of subsequent developments that affect advice previously provided to taxpayers, whether current clients or not. Members should communicate the impact of subsequent developments when they are assisting in implementing procedures or plans associated with the tax advice previously provided, or are specifically engaged to report on such developments by specific agreement.

Explanation

3.1.5. Tax advice is recognized as a valuable service provided by members. The form of advice may be oral or written and the subject matter may range from routine to complex. Because the range of advice is so extensive and because advice should meet the specific needs of a taxpayer, neither a standard format nor guidelines for communicating or documenting advice to the taxpayer can be established to cover all situations.

3.1.6. Although oral advice may serve a taxpayer's needs appropriately in routine matters or in well-defined areas, written communications are recommended in important, unusual, substantial dollar value or complicated transactions. The member may use professional judgment about whether, subsequently, to document oral advice.

3.1.7. In deciding on the form of advice provided to a taxpayer, a member should exercise professional judgment and consider such factors as the following:

- a. The importance of the transaction and amounts involved
- b. The specific or general nature of the taxpayer's inquiry
- c. The time available for development and submission of the advice
- d. The technical complexity involved

- e. The existence of authorities and precedents
 - f. The tax sophistication of the taxpayer
 - g. The need to seek other professional advice
 - h. The type of transaction and whether it is subject to heightened reporting or disclosure requirements
 - i. The potential penalty consequences of the tax position for which the advice is rendered
 - j. Whether any potential applicable penalties can be avoided through disclosure
 - k. Whether the member intends for the taxpayer to rely upon the advice to avoid potential penalties
- 3.1.8. A member may assist a taxpayer in implementing procedures or plans associated with the advice offered. When providing such assistance, the member should review and revise such advice as warranted by new developments and factors affecting the transaction.
- 3.1.9. Sometimes a member is requested to provide tax advice but does not assist in implementing the plans adopted. Although such developments as legislative or administrative changes or future judicial interpretations may affect the advice previously provided, a member cannot be expected to communicate subsequent developments that affect such advice unless the member undertakes this obligation by specific agreement with the taxpayer.
- 3.1.10. Taxpayers should be informed that (a) the advice reflects professional judgment based upon the member's understanding of the facts, and the law existing as of the date the advice is rendered and (b) subsequent developments could affect previously rendered professional advice. Members may use precautionary language to the effect that their advice is based on facts as stated and authorities that are subject to change.
- 3.1.11. If a member advising on a position, but not engaged to prepare or sign the related tax return, advises the taxpayer concerning appropriate disclosure of the position, then the member shall be deemed to meet the disclosure requirements of these standards.
- 3.1.12. If particular facts and circumstances lead a member to believe that a taxpayer penalty might be asserted, the member should so advise the taxpayer and should discuss with the taxpayer the opportunity, if any, to avoid such penalty by disclosing the position on the tax return. Although a member should advise the taxpayer with respect to disclosure, it is the taxpayer's responsibility to decide whether and how to disclose.
- 3.1.13. This standard does not address situations in which consulting services may be relied on by parties other than the taxpayer.

Statement on Standards for Tax Services No. 4, *Standards for Members Providing Tax Representation Services*

Introduction

- 4.1.1. This statement sets forth the applicable standards for a member representing a taxpayer with a power of attorney before an applicable taxing authority. Representing a taxpayer in various tax matters could involve application of other standards. The focus of this statement is on the representation relationship itself.
- 4.1.2. In addition to the AICPA, applicable taxing authorities may impose specific guidance related to the representation of taxpayers, such as Circular 230. These standards can vary between taxing authorities and by type of tax.

Statement

- 4.1.3. The member, and any individuals working with or for the member, should have or take steps to obtain technical competence in the subject matter involved. This includes competence in the technical tax area involved as well as the tax practice and procedures of the taxing authority. For this purpose, competence follows the definition established in Section 10.35 of Circular 230.
- 4.1.4. The member should take appropriate steps to ensure compliance with all relevant professional and regulatory obligations when representing a taxpayer.
- 4.1.5. The member should act with integrity and professionalism in all dealings with the taxing authority. This includes not unduly delaying or impeding the taxing authority.
- 4.1.6. Information requested by the taxing authority should, with taxpayer approval, be provided by the member on a timely basis unless there is a good-faith belief that the information is privileged.
- 4.1.7. The member should consider if the taxpayer's conduct may be fraudulent or criminal in nature. If so, the member should advise the taxpayer to retain legal counsel and refrain from further representation.
- 4.1.8. Upon completion of the examination by the taxing authority, the member should review any documents or computations detailing the results of the examination for correctness and discuss with the taxpayer the consequences of agreeing to these conclusions.

Explanation

- 4.1.9. Competency is an important issue for professionals who provide tax representation services. While continuing professional education tends to focus on tax law updates or more complex technical tax issues, members often overlook the complicated rules of tax practice and procedure that go hand in hand with representation of taxpayers. Members dealing with tax agencies should be knowledgeable about the procedural issues they may encounter while representing taxpayers.
- 4.1.10. Members should consider multiple areas which could impact a taxpayer representation engagement. Among other items, this may include:
- Consulting with a local law firm to determine whether the representation would constitute the unauthorized practice of law;
 - Determining whether CPA licensure in another jurisdiction may be required;
 - Executing any taxpayer authorizations required by the taxing authority such as powers of attorney;
 - Determining whether the member may be facing a conflict of interest such as representing other taxpayers who are taking a contrary position;

- e. Establishing and documenting in writing an understanding with the taxpayer regarding objectives of the engagement, services to be performed, taxpayer's acceptance of its responsibilities, member's responsibilities and any limitations of the engagement.

4.1.11. When representing taxpayers, members are required to comply with all conflict-of-interest standards, such as Section 1.000.020, *Ethical Conflicts of the Code of Professional Conduct*.

Questions for respondents

The goal of the revisions of the SSTs is to ensure that the standards are still relevant in today's tax environment, address the current and emerging needs of today's members and to serve the public. In addition, the standards were reorganized to enhance their understanding and use.

The AICPA values the views of all stakeholders and is seeking comments. We encourage you to provide us your thoughts on any or all of the revisions and have provided specific questions to help you provide us feedback.

Please advise if your response is on behalf of a firm, business or other stakeholder or whether it represents your individual views. Additionally, please include what your role and title is and details of your firm or organization size.

Please submit comments via our [online form](#). Alternatively, you may email your submission to: SSTscomments@aicpa-cima.com.

- ED1.** Do you agree with the reorganization of the current SSTs, and will it enhance their use and understanding? Please explain the rationale behind your response.
- ED2.** Based on review of the proposed changes to the SSTs, is there any other subject matter which you believe should be revised or deleted from the SSTs? If so, please provide the rationale.
- ED3.** Are the proposed new standards (data protection, reliance on tools and tax representation services) clear and understandable? If you believe more specificity would be helpful, what recommendations would you suggest?
- ED4.** What other subjects impact your tax practice or the tax function you perform and should be considered in future revisions to the SSTs? Please provide details of the recommended additions, together with your reasoning for the proposed changes.
- ED5.** What additional guidance is needed to help you understand, effectively implement and apply the proposed standards to your working environment?

Part 2:

Invitation to Comment



This ITC is separate and independent from the preceding ED and presents items for consideration that require additional research and investigation and thus will require additional time to define and potentially implement. Depending on the nature of the comments received in response to this ITC, the AICPA will pursue additional research to determine the appropriateness of future modifications to the SSTs or other guidance. At this time, it is not known if or when any changes resulting from the ITC will be implemented.

Introduction

As part of the process to update the SSTs, the SSTs Revision Task Force held extensive discussions around the importance of additional concepts with the potential to significantly impact the tax practice of the future. A resonating theme emerged in many discussions related to quality management in tax, defined as a proactive, risk-based, scalable approach to ensure that an individual or firm possesses the necessary competence to practice. Based on the discussions, members agreed that quality is a key market differentiator in their practices; however, its implementation is inconsistent and the environment in which members operate is dynamic.

Given the importance of this topic, the AICPA is inviting members and stakeholders to comment on the questions raised in this ITC. The task force and the TEC will consider all comments in determining the best approach to address quality within the tax function.

Issue description

One of the aims of the AICPA's Code of Professional Conduct is to protect the public interest. The public interest principle states that "... members should accept the obligation to act in a way that will serve the public interest, honor the public trust and demonstrate a commitment to professionalism." Members are expected to provide quality services in a manner that demonstrates a level of professionalism consistent with these goals. These are the expectations that members are held to and, when asked, it is recognized that high quality work products are a defining feature of CPAs.

The CPA brand is consistently associated with numerous characteristics including trust, integrity, honesty and quality. Many professions aspire to be associated with these traits, yet few achieve the reputation CPAs have maintained for over 125 years. Thus, members have an opportunity to continue to be perceived as the premier providers of tax services by demonstrating adherence to quality principles in the delivery of their services. By investing in systems that will help them develop a strong approach to quality management and making sure that such concepts are embraced by all individuals who are part of the firm or department, members can enhance the services they provide and can better position themselves in the event of an investigation by the IRS Office of Professional Responsibility or other government agency.

State of quality management in tax

CPAs have benefited from practicing in a self-regulated profession due to the strong reputation of the AICPA's professional standards. However, in December of 2009, the [IRS released a 57-page document](#) outlining a plan to regulate all tax return preparers. Although CPAs, attorneys and enrolled agents were exempted from most of the requirements imposed on "unenrolled" tax return preparers, the IRS indicated a plan to assess the quality of tax return preparation by exempted tax professionals. Despite the judicial determination in *Loving v. Commissioner* that the IRS did not have the authority to regulate tax return preparers, discussions regarding both the regulation of tax return preparers and the quality of professionally prepared tax returns have continued. For example, the IRS requires individuals

representing taxpayers before the IRS to have adequate procedures in place to comply with ethical and quality guidelines established in Circular 230 (refer to Section 10.36).

The IRS has since publicly announced that it is reviewing the provisions of Circular 230 with the intent of updating them. Although unknown if such revisions will encompass mandatory enhancements to quality, it is widely believed that greater scrutiny, by both the taxing authorities and the public at large, will be placed on members.

Some members have expressed that initiating an approach to quality management in tax may be perceived as a step towards peer review. The TEC and the AICPA consider the concept of quality management and peer review to be independent and distinct from one another.

Implementation

With more focus on quality management in tax comes the perception that implementing such procedures could present a burden or put members at a competitive disadvantage against other tax practitioners. In reality, most members already have quality management procedures in place. While some may believe that such an approach could mandate the use of checklists or other such documents to prove procedures are being adhered to in the performance of tax services, alternative simpler approaches could be used. For example, a member could periodically discuss how they adhere to the six elements of a tax practice quality control system identified in the [Tax Practice Quality Control Guide and Template](#). This resource is offered by the AICPA Tax Section to members who are looking to develop a more robust system in areas such as:

- Leadership responsibilities for quality within a firm,
- Relevant ethical requirements,

- Acceptance and continuance of client relationships and specific engagements,
- Human resources,
- Engagement performance, and
- Monitoring.

In general, members have expressed support for initiatives to improve the quality of tax services. Though the implications related to the cost and effort necessary to implement such initiatives may be deemed too burdensome by some members, many recognize the benefits. The process of implementing a system that encompasses the firm's organizational structure, along with the policies and procedures established to provide a level of confidence that the tax practice complies with applicable professional, statutory and regulatory requirements (e.g., SSTs and Circular 230), demonstrates good business practice.

Embracing quality principles will demonstrate to regulators, clients, organizations and the public that members are the premier providers of tax services. There is not a "one-size-fits-all" solution, simply the desire to consistently produce a quality product in a manner that works best for a member's particular circumstances. With this in mind, the TEC and the task force seek the input of members and stakeholders on the optimal approach to improve quality management in tax.

We appreciate your responses to the questions below, along with any other thoughts you have around the concept of quality management and how it can best be implemented by all members, irrespective of the tax services they provide or the type of client or organization they serve.

Please submit comments via our [online form](#). Alternatively, you may email your submission to: SSTComments@aicpa-cima.com.

Questions for respondents

Please advise if your response is on behalf of a firm, business or other stakeholder or whether it represents your individual views. Additionally, include what your role and title is, details of your firm or organization size and details about your processes and procedures.

ITC1. How do you define quality management in tax? Please be as specific as possible.

ITC2. What role do you think the AICPA should undertake regarding quality management in tax? Please explain your rationale.

ITC3. To preserve the ability to self-regulate, do you believe the AICPA should consider quality management in tax for potential inclusion in future SSTs? If "no," how should quality management in tax be addressed? Please provide your reasoning.

ITC4. How do you currently approach and ensure adherence to quality management within your tax function?

- What challenges do you experience?
- What type of application material would be helpful from the AICPA?

Contributors

The TEC promulgates the SSTs and their interpretations. The Tax Practice Responsibilities Committee and SSTs Revision Task Force report to the TEC and were responsible for the overall project.

Below lists the members of the TEC, Tax Practice Responsibilities Committee and SSTs Revision Task Force at the time of this exposure.

Acknowledgment is also due to the many members who have devoted their time and efforts over the years to developing and revising the AICPA's standards.

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Journal of Accountancy

Proposed AICPA tax standards address new concerns

By David J. Holets, CPA

Today



IMAGE BY RZOZE19/GETTY IMAGES

The AICPA's Statements on Standards for Tax Services (SSTs) are enforceable standards that apply to all AICPA members providing tax services. Certain states also incorporate the SSTs as part of their professional rules of conduct for CPAs.

The SSTs, based on the AICPA Statements on Responsibilities in Tax Practice (SRTPs) that were originally issued between 1964 and 1977, were first adopted by the AICPA Tax Executive Committee (TEC) in August 2000, and the most recent significant updates to the SSTs were made Jan. 1, 2010. In October 2018, the TEC approved formation of an SSTS Revision Task Force to update the SSTs. On Jan. 26, 2022, the TEC voted to expose the standards to the AICPA membership, with comments due Dec. 31, 2022, and an effective date of Jan. 1, 2024.

The task force was composed of AICPA Tax Section members representing diverse interests including small and sole practitioner tax firms, the AICPA Private Companies Practice Section (PCPS), medium and large CPA firms, and academia (see the sidebar, “SSTs Revision Task Force Members”). The task force held numerous meetings to identify and develop both updates to the current SSTs and entirely new standards. As part of those efforts, the task force:

- Reorganized the SSTs by type of tax work performed;
- Reviewed and revised the existing SSTs to reflect the current state of the profession and the emerging needs of today’s members; and
- Promulgated three new standards not previously addressed by the SSTs regarding data protection, reliance on tools, and the representation of tax clients before taxing authorities.

This article briefly summarizes the three new standards and explores how they will apply to all CPAs providing tax services. As chair of the task force, the author encourages all members to carefully consider these new standards and provide their comments, both favorable and unfavorable. Open discussion and consideration of these standards is a vital component of the self-regulation process that will drive the profession forward. Members may [view and download from the AICPA website a combined document \(https://www.aicpa.org/resources/download/tax-standards-ssts-exposure-draft-and-invitation-to-comment\)](https://www.aicpa.org/resources/download/tax-standards-ssts-exposure-draft-and-invitation-to-comment) that includes revisions to the existing standards, the three new standards, and an Invitation to Comment on the subject of quality management in tax.

This article is not an authoritative interpretation of the SSTs but reflects the opinions of the author. Members should use their professional judgment in applying this discussion to their own particular facts and circumstances.

SSTs 1.3., *Data Protection*

New standards:

Section 1.3.4. A member should make reasonable efforts to safeguard taxpayer data, including data transmitted or stored electronically.

Section 1.3.5. A member should consider applicable privacy laws when collecting and storing taxpayer data.

CPAs involved in tax return preparation have access to significant amounts of confidential financial and personal information. As the role of technology in accessing that confidential data increases, the risk to taxpayer data also increases, as demonstrated by an increase of more than 80% in data breaches reported by CPA firms between 2014 and 2020 (“[Cybersecurity: An Urgent Priority for CPA Firms](#)”).

(<https://www.thetaxadviser.com/issues/2020/apr/cybersecurity-urgent-priority-cpa-firms.html>),” *The Tax Adviser*, April 2020). Therefore, the task force believed it was important to implement a standard that ensures members adopt reasonable safeguards to protect taxpayer data, both electronic and otherwise.

However, the task force also recognized that continuous advances in technology make it challenging to identify any one set of standards with broad applicability across all tax practices. Therefore, instead of defining required elements for a data security plan, the task force drafted a standard requiring members to make “reasonable efforts” to safeguard taxpayer data. The standard’s accompanying explanation does give examples of possible data security plan components, such as the use of virtual private networks (VPNs), strong password policies, and firewalls, but all members are ultimately expected to customize their data protection efforts based on their particular facts and circumstances. The standard also calls out the vital role training should have in a data protection plan, especially for nonmember personnel.

Members of the task force believe most AICPA member tax practices already take appropriate efforts to safeguard taxpayer data. This belief is supported by the relatively small number of data theft reports to the IRS across all tax preparers, not just CPAs: 211 in 2020 and 222 in 2021 through June 30 (IRS, “[Boost Security Immunity: Fight Against Identity Theft](https://www.irs.gov/newsroom/boost-security-immunity-fight-against-identity-theft) (<https://www.irs.gov/newsroom/boost-security-immunity-fight-against-identity-theft>)”). However, even one data breach is too many, and cybercriminals continue to increase their efforts. The task force therefore wanted to put in place a sensible standard that would be supported by continuing education efforts around data protection.

A CPA firm planning to apply the new standard first must consider whether the firm’s existing data protection efforts are reasonable. As explained in SSTS Section 1.3.6., factors including the impact of continuing technological developments, member-specific factors such as the type of service being provided, and firm size are taken into account when considering whether a plan is reasonable. For example, a sole practitioner would not be expected to have a plan as complex as that of a 100-member firm but would be expected to take basic steps to protect taxpayer data, which might include installing and using virus-scanning software, using VPN software, and securing computers with a password. Also note that the Gramm-Leach-Bliley Act, P.L. 106-102, establishes a requirement for tax preparers to implement an information security plan. The AICPA has developed a [sample template](https://www.aicpa.org/resources/download/gramm-leach-bliley-act-information-security-plan-template) (<https://www.aicpa.org/resources/download/gramm-leach-bliley-act-information-security-plan-template>) available to Tax Section members.

Once members have verified they have taken reasonable efforts to protect taxpayer data, they should consider whether additional steps are advisable. For example, members may choose to put in place a plan to ensure unnecessary client data is not maintained, mask personally identifiable information where permissible, and/or establish a training program around data protection measures.

SSTS 1.4., *Reliance on Tools*

New standards:

Section 1.4.3. A member should exercise appropriate professional judgement and professional care when relying on a tool.

Section 1.4.4. A member may reasonably rely on tools used in providing tax services to a taxpayer. Use of the tool does not absolve the member of his or her professional obligations under AICPA or other applicable ethical standards.

CPAs rely on technology to provide services more today than at any point in history. That trend will likely continue with the introduction of artificial intelligence, data science, quantum computers, and other developing technologies. However, tax professionals do not have written standards allowing them to place a degree of reliance on these tools when providing services. The task force identified the need for a standard that protects members by defining when they may reasonably rely on tools used in the performance of tax services.

SSTS Section 1.4. applies to a broad range of tools including but not limited to tax preparation software, tax calculation tools, and tax research tools. Members are allowed to reasonably rely on tools as long as they use appropriate professional judgment and professional care in selecting and using that tool. For example, it would generally not be reasonable for a member to assume a tax return prepared using a standard tax compliance software package was complete without reviewing the prepared tax return itself. The member should also employ a normal tax return review process, taking steps such as confirming that taxable income computed by the tax return software matches the expected taxable income from the taxpayer's trial balance.

In the case of tools used for tax research, the member may not be able to confirm the accuracy of a specific source as directly. Instead, the member should consider the source of the research. For example, documentation obtained from a prominent subscription-based tax research software vendor may have more weight than opinion articles from independent internet sources. The standard does not, however, prevent a member from using an opinion article in developing a position; a member should use professional judgment to apply sound tax principles in applying the opinion put forward in that article.

The task force believes the majority of members already follow the proposed standard, exercising diligence in both the selection of tax tools and their use. This standard will assist those members when working through an issue arising from software errors. Although reliance on software alone will not constitute an adequate defense, the task force believes this standard establishing principles for the reliance on tools will be overwhelmingly beneficial to members (see, e.g., "[Reliance on Tax Software Does Not Let Taxpayer Off the Hook](https://www.thetaxadviser.com/newsletters/2017/aug/taxpayer-cannot-blame-software.html)" (<https://www.thetaxadviser.com/newsletters/2017/aug/taxpayer-cannot-blame-software.html>),” *Tax Insider*, Aug. 3, 2017, discussing a Tax Court case where the taxpayer was denied relief when asserting reliance on personal tax preparation software).

To implement this standard, firms should review their current tool selection process to ensure it meets the essence of the standard. For many widely available and relied-upon tax software packages, members may find that a basic review of a new software vendor's offerings is sufficient to demonstrate that reliance on the tool is appropriate.

However, members should also remember that use of a tool does not absolve the member of professional obligations under AICPA or other applicable ethical standards. Therefore, members should consider implementing a general technical review process to ensure work product is accurate.

SSTS 4, Standards for Members Providing Tax Representation Services

New standards:

Section 4.1.3. The member, and any individuals working with or for the member, should have or take steps to obtain technical competence in the subject matter involved. This includes competence in the technical tax area involved as well as the tax practice and procedures of the taxing authority. For this purpose, competence follows the definition established in Section 10.35 of [Treasury] Circular 230 [*Regulations Governing Practice Before the Internal Revenue Service* (31 C.F.R. Part 10)].

Section 4.1.4. The member should take appropriate steps to ensure compliance with all relevant professional and regulatory obligations when representing a taxpayer.

Section 4.1.5. The member should act with integrity and professionalism in all dealings with the taxing authority. This includes not unduly delaying or impeding the taxing authority.

Section 4.1.6. Information requested by the taxing authority should, with taxpayer approval, be provided by the member on a timely basis unless there is a good-faith belief that the information is privileged.

Section 4.1.7. The member should consider if the taxpayer's conduct may be fraudulent or criminal in nature. If so, the member should advise the taxpayer to retain legal counsel and refrain from further representation.

Section 4.1.8. Upon completion of the examination by the taxing authority, the member should review any documents or computations detailing the results of the examination for correctness and discuss with the taxpayer the consequences of agreeing to these conclusions.

The SRTPs, predecessors to the SSTs, were drafted at a time when tax practices primarily only prepared tax returns. Since then, tax practices have expanded to provide a wide variety of services including tax representation. The task force believed the continuing growth in the number of CPA firms providing tax representation services obligated the development of a standard.

In the course of developing the standard, both the task force and others raised the question of whether a separate standard was necessary, given the breadth of guidance provided by Circular 230. Upon discussion of the issue, the task force agreed that Circular 230 does provide significant guidance to anyone involved in the representation of a taxpayer before a taxing authority. However, that guidance applies only to the representation of federal tax clients. Task force members therefore felt it important to develop one overall set of standards that would apply to all members providing tax services, regardless of tax jurisdiction. SSTS 4 is not intended to override other regulatory standards but rather to supplement existing standards and serve as basic standards where a lower or no standard otherwise exists.

SSTS 4 does generally follow familiar concepts for experienced tax practitioners. First, members can represent taxpayers in an issue they do not have direct experience with, but they are expected to take steps to obtain technical competence as part of that representation engagement. Second, members are expected to comply with all other relevant professional and regulatory obligations in providing representation services, such as Circular 230 and the AICPA *Code of Professional Conduct* (the AICPA Code). Third, members are expected to maintain integrity and professionalism in dealing with tax authority representatives. Fourth, members are expected to, with taxpayer approval, respond timely to tax authority requests for information. Fifth, members are advised to refer any

situations in which there may be fraudulent or criminal taxpayer activity to legal counsel and withdraw from further representation. And sixth, members are expected to review documents or computations from an examination for correctness, discussing the results with the taxpayer.

Application of this standard will generally require little action for most members who already are aware of and abide by Circular 230 and the AICPA Code. It is recommended that members read through and familiarize themselves with the new standard, identify any parts of their practice to which the standard is relevant, and ensure current practice is in line with the new standard.

INVITATION TO COMMENT

One of the aims of the AICPA Code is to protect the public interest. Paragraph .01 of “The Public Interest” interpretation (ET §0.300.030) states: “Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism.” Members are expected to provide quality services in a manner that demonstrates a level of professionalism consistent with those goals.

As part of the process to update the SSTs, the task force held extensive discussions around the importance of additional concepts with the potential to significantly impact the tax practice of the future. A resonating theme emerged in many discussions related to quality management in tax, defined as a proactive, risk-based, scalable approach to ensure that an individual firm possesses the necessary competence to practice. Based on the discussions, members agreed that quality is a key market differentiator in their practices; however, its implementation is inconsistent, and the environment in which members operate is dynamic.

Therefore, the AICPA is inviting members and stakeholders to comment on the questions raised in an Invitation to Comment. The task force and the TEC will consider all comments in determining the best approach to address quality within the tax function.

COMMENTS

As this is the first major update to the SSTs in more than 10 years, the AICPA realizes many members will have questions and concerns. For this reason, the standards are being exposed for an extended period through Dec. 31, 2022, to allow as many comments and questions as possible to be addressed. Please send any comments and questions on the revisions to the SSTs and the Invitation to Comment using our [online form](https://forms.office.com/pages/responsepage.aspx?id=YeJEgynjJ0O73ReIR4Imoc3yga2BK2ZMv2-aqaFr_uZUN05FTkNMVU9OSEFFTU5EQ0JPRFdaTDIBRiQIQCN0PWcu) (https://forms.office.com/pages/responsepage.aspx?id=YeJEgynjJ0O73ReIR4Imoc3yga2BK2ZMv2-aqaFr_uZUN05FTkNMVU9OSEFFTU5EQ0JPRFdaTDIBRiQIQCN0PWcu). Alternatively, members may email their submission to SSTScomments@aicpa-cima.com (<mailto:SSTScomments@aicpa-cima.com>). All comments received will be considered. Thank you for your attention to this important change for tax practitioners.

Editor's note: A version of this article first appeared in the *Tax Practice Responsibilities* column in the November 2022 issue of *The Tax Adviser*.

About the author

David J. Holets, CPA, is chair of the SSTS Revision Task Force and a partner and leader of tax quality control functions at Crowe LLP in Indianapolis. To comment on this article or to suggest an idea for another article, contact Paul Bonner at Paul.Bonner@aicpa-cima.com (<mailto:Paul.Bonner@aicpa-cima.com>).

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1650 - State Board of Accountancy

Allotment Expenditure/Revenue BTD Flexible

Report Number: AEF04
 Biennium: 2023

As of Fiscal Month: Dec FY2

Date Run: Dec 31, 2022 11:59PM
 Transactions Through: Dec 30, 2022 8:00PM

Account: 021 Allotment Content: Approved & Adjusted Estimated Revenue Content: Approved & Adjusted Expenditure Content: Cash, Acct(All)
 Revenue Content: Cash, Acct(All)

(For a complete listing of all input parameter values, please see the last page of the report)

By Account/Expenditure Authority	Allotment		Disbursement		Accrual		Encumbrance		Variance		Biennium Remaining
	BT	TD	BT	TD	BT	TD	BT	TD	BT	TD	
021 - Certified Public Accountants' Acct											
030 - Salaries and Expenses	3,360,022		2,867,472.54		(3,250.00)		0.00		495,799.46		1,632,777.46
Total for Agency	3,360,022		2,867,472.54		(3,250.00)		0.00		495,799.46		1,632,777.46
By Account/Expenditure Authority											
By Object											
A - Salaries and Wages	1,226,839		1,143,593.64		0.00		0.00		83,245.36		504,333.36
B - Employee Benefits	404,107		399,719.85		0.00		0.00		4,387.15		148,061.15
C - Professional Service Contracts	243,000		187,096.19		0.00		0.00		55,903.81		136,903.81
E - Goods and Services	1,413,572		1,112,879.28		(3,250.00)		0.00		303,942.72		770,990.72
G - Travel	50,004		22,061.33		0.00		0.00		27,942.67		44,610.67
I - Capital Outlays	22,500		2,122.25		0.00		0.00		20,377.75		27,877.75
Total for Agency	3,360,022		2,867,472.54		(3,250.00)		0.00		495,799.46		1,632,777.46
By Object											

Fund

Balance As Of:	12/31/2022	Show Balances As Of:	12/31/2022
Book Balance:	3,448,670.46	<input type="button" value="Retrieve"/>	
Outstanding Warrants:	2,280.00		
Cash Balance:	3,450,950.46		

Fund Code:	02J
Fund Name:	CERTIFIED PUBLIC ACCOUNTANTS' ACCT
Fund Type:	SPECIAL REVENUE FUNDS (BA)
Treasury Type:	Treasury (1)
Budget Type:	Appropriated (A)
Roll-Up Fund:	CENTRAL ADMIN AND REGULATORY FUND (FBD)
Agency:	STATE BOARD OF ACCOUNTANCY (1650)
Statute:	18.04.105
GAAP Fund Type:	SPECIAL REVENUE FUNDS (B)
Active:	Active
DOT Fund:	No

Fund

Balance As Of:	12/31/2022	Show Balances As Of:	12/31/2022 <input type="checkbox"/>
Book Balance:	125,000.00	<input type="button" value="Retrieve"/>	
Outstanding Warrants:	0.00		
Cash Balance:	125,000.00		

Fund Code:	20D
Fund Name:	CPA SCHOLARSHIP TRANSFER ACCOUNT
Fund Type:	SPECIAL REVENUE FUNDS (BA)
Treasury Type:	Treasury Trust (2)
Budget Type:	Nonappropriated/Nonallotted (N)
Roll-Up Fund:	HIGHER EDUCATION FUND (FBG)
Agency:	STATE BOARD OF ACCOUNTANCY (1650)
Statute:	28B.123.050
GAAP Fund Type:	SPECIAL REVENUE FUNDS (B)
Active:	Active
DOT Fund:	No

Board of Accountancy Washington State Enforcement Report

<u>Quarterly Report (Oct 01, 2022 through Dec 31, 2022)</u>			
Complaint Workload			
	Received in Previous Period	Received in Report Period	Total
Complaints Open	16	13	29
Closed with No Action	(9)	(4)	(13)
Closed with Action Taken	0	0	0
Complaints at End of Period	7	9	16
Details of Complaint Closures			
Closed Disposition	Administrative	Public Harm	Total
No Action Taken	0	13	13
Revocation, Suspension, Restriction	0	0	0
Fines, costs, and other sanctions	0	0	0
Remedial Resolution (Policy 2004-1)	0	0	0
Total Closed	0	13	13

<u>Twelve-Month Lookback (Jan 01, 2022 through Dec 31, 2022)</u>			
Complaint Workload			
	Received in Previous Period	Received in Report Period	Total
Complaints Open	22	81	103
Closed with No Action	(15)	(61)	(76)
Closed with Action Taken	(7)	(4)	(11)
Complaints at End of Period	0	16	16
Details of Complaint Closures			
Closed Disposition	Administrative	Public Harm	Total
No Action Taken	0	76	76
Revocation, Suspension, Restriction	0	4	4
Fines, costs, and other sanctions	2	5	7
Remedial Resolution (Policy 2004-1)	0	0	0
Total Closed	2	85	87

Board of Accountancy Washington State

All complaints - resolved with and without discipline

	<u>Jan 2022 to Dec 2022</u>		<u>Jan 2021 to Dec 2021</u>	
	<i>All</i>	<i>Action Only</i>	<i>All</i>	<i>Action Only</i>
Public Harm				
Negligence - Attest related	1	1	3	0
Negligence, Disregard of standards	65	6	36	2
Use of Restricted Titles	13	2	2	0
Embezzlement, Theft, Breach of Fid. Duty	1	0	0	0
Breach of Confidentiality	0	0	0	0
Records Retention Causing Harm	5	0	5	2
<u>Subtotal</u>	85	9	46	4
Administrative				
Peer Review	2	2	0	0
CPE - Deficient 16 hours or less	0	0	0	0
CPE - Deficient 17 hours or more	0	0	0	0
CPE - Deficient eligible WA ethics	0	0	0	0
CPE - Failure to respond to CPE audit	0	0	0	0
<u>Subtotal</u>	2	2	0	0
Total	87	11	46	4

<u>Oct 01, 2022 through Dec 31, 2022</u>				
CBM Report				
	BAP	Action	No Action	Total
Rajib Doogar	0	0	0	0
Brooke Stegmeier	0	0	0	0
Jacqueline Meucci	0	0	0	0
Tonia Campbell	0	0	0	0
Kate Dixon	0	0	3	3
Mark Hugh	0	0	4	4
Scott Newman	0	0	0	0
Thomas Sawatzki	0	0	2	2
Brian Thomas	0	0	4	4
Total	0	0	13	13