

HOUSE BILL REPORT

SSB 6182

As Reported By House Committee On:
Law & Justice

Title: An act relating to facilitating interstate operations for Washington professional corporations.

Brief Description: Allowing for interstate professional services corporations.

Sponsors: Senate Committee on Law & Justice (originally sponsored by Senators Johnson and Roach).

Brief History:

Committee Activity:

Law & Justice: 2/26/98 [DPA].

HOUSE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass as amended. Signed by 13 members: Representatives Sheahan, Chairman; McDonald, Vice Chairman; Sterk, Vice Chairman; Costa, Ranking Minority Member; Constantine, Assistant Ranking Minority Member; Carrell; Cody; Kenney; Lambert; Lantz; Mulliken; Robertson and Sherstad.

Staff: Trudes Hutcheson (786-7384).

Background: People practicing certain professions in Washington, such as certified public accounts, physicians, and attorneys, are required to be licensed or otherwise authorized to practice that profession.

Generally, only persons licensed or otherwise authorized to practice the same professional service in Washington may be shareholders of a professional service corporation. All directors and officers, other than the secretary and the treasurer, must be licensed or authorized to perform such services in this state. A professional service corporation may only offer professional services through individuals who are licensed or authorized to perform those services in Washington. Professional service corporations may not engage in any other business or offer any other service than the professional service for which it was incorporated.

If a shareholder, officer, director, agent, or employee of the corporation becomes disqualified to perform the professional services in the state, he or she generally becomes

ineligible to be a member of the corporation and must sever all employment and financial interests with the professional service corporation.

A professional service corporation may merge or consolidate with another corporation, whether foreign or domestic, if all the shareholders of both corporations are eligible to be shareholders of the surviving corporation. The surviving corporation may render services in Washington only if it is organized under Washington's professional corporation act.

Professional limited liability companies are subject to all the requirements of professional service corporations, except that professional limited liability companies may have as members professionals who are licensed or authorized to practice in a state other than Washington. A professional limited liability company may offer services outside of Washington by professionals not authorized to practice in Washington.

Summary of Amended Bill: Persons licensed or otherwise authorized to perform the same professional services in another state may become members of a Washington professional service corporation that offers the same professional service. Persons engaged in the professional service may operate as a professional service corporation as long as each shareholder practicing the profession in this state is licensed or authorized to practice in Washington and either: (a) at least one officer and one director of the corporation is licensed or authorized to practice in Washington; or (b) each officer in charge of an office in Washington is licensed or authorized to practice the profession in this state.

A person remains qualified to be a member of a professional service corporation as long as the person remains licensed or authorized to practice the professional service in at least one state in which the corporation conducts business.

Foreign professional corporations, whether or not created by merger or consolidation, may operate in Washington if the corporation complies with Washington's foreign corporation act and renders services through individuals licensed to practice in Washington.

The statute governing professional limited liability companies is amended to reflect the change in the statutes governing professional service corporations.

Amended Bill Compared to Substitute Bill: The substitute bill did not contain the provisions authorizing foreign professional corporations to operate in Washington.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The Washington State Bar Association and Kaiser support the bill and proposed amendment.

Testimony Against: None.

Testified: Ken Bertrand, Kaiser (pro); and Dale Carlisle, Washington State Bar Association (pro).