

HOUSE BILL ANALYSIS

SSB 6182

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).

HOUSE COMMITTEE ON LAW & JUSTICE

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 director, officer, shareholder, agent, or employee of a professional service corporation is personally and fully liable for the negligent or wrongful acts that person commits and the negligent or wrongful acts committed by any person under his or her direct supervision and control, while performing professional services on behalf of the corporation. The professional service corporation is liable for any negligent or wrongful acts committed by any of its directors, officers, shareholders, agents, or employees while they are engaged in the professional service on behalf of the corporation.

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 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.

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

Fiscal Note: Not requested.

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

Office of Program Research