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**SUBSTITUTE HOUSE BILL 2389**

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**State of Washington**

**55th Legislature**

**1998 Regular Session**

**By** House Committee on Law & Justice (originally sponsored by Representatives Sheahan, Constantine and Costa)

Read first time 01/20/98. Referred to Committee on .

1 AN ACT Relating to facilitating interstate operations for  
2 Washington professional corporations; and amending RCW 18.100.060,  
3 18.100.065, 18.100.090, 18.100.100, and 25.15.045.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 18.100.060 and 1983 c 51 s 3 are each amended to read  
6 as follows:

7 (1) No corporation organized under this chapter may render  
8 professional services except through individuals who are duly licensed  
9 or otherwise legally authorized to render such professional services  
10 within this state(~~(:—PROVIDED, That)).~~ However, nothing in this  
11 chapter shall be interpreted to:

12 (a) Prohibit a person duly licensed or otherwise legally authorized  
13 to render professional services in any jurisdiction other than this  
14 state from becoming a member of a professional corporation in this  
15 state organized for the purpose of rendering the same professional  
16 services;

17 (b) Prohibit a professional corporation from rendering services  
18 outside this state through individuals who are not duly licensed or

1 otherwise legally authorized to render professional services within  
2 this state; or

3 (c) Require the licensing of clerks, secretaries, bookkeepers,  
4 technicians, and other assistants employed by a professional  
5 corporation who are not usually and ordinarily considered by custom and  
6 practice to be rendering professional services to the public for which  
7 a license or other legal authorization is required.

8 (2) Persons engaged in a profession and otherwise meeting the  
9 requirements of this chapter may operate under this chapter as a  
10 professional corporation so long as each shareholder personally engaged  
11 in the practice of the profession in this state is duly licensed or  
12 otherwise legally authorized to practice the profession in this state  
13 and:

14 (a) At least one officer and one director of the corporation is  
15 duly licensed or otherwise legally authorized to practice the  
16 profession in this state; or

17 (b) Each officer in charge of an office of the corporation in this  
18 state is duly licensed or otherwise legally authorized to practice the  
19 profession in this state.

20 **Sec. 2.** RCW 18.100.065 and 1983 c 51 s 7 are each amended to read  
21 as follows:

22 Except as otherwise provided in RCW 18.100.118, all directors of a  
23 corporation organized under this chapter and all officers other than  
24 the secretary and the treasurer shall be duly licensed or otherwise  
25 legally authorized to render the same specific professional services  
26 within this or any other state as those for which the corporation was  
27 incorporated.

28 **Sec. 3.** RCW 18.100.090 and 1997 c 18 s 2 are each amended to read  
29 as follows:

30 Except as otherwise provided in RCW 18.100.118, no professional  
31 corporation organized under the provisions of this chapter may issue  
32 any of its capital stock to anyone other than the trustee of a  
33 qualified trust or an individual who is duly licensed or otherwise  
34 legally authorized to render the same specific professional services  
35 within this or any other state as those for which the corporation was  
36 incorporated.

1       **Sec. 4.** RCW 18.100.100 and 1969 c 122 s 10 are each amended to  
2 read as follows:

3       (~~If any~~) Unless a director, officer, shareholder, agent or  
4 employee of a corporation organized under this chapter who has been  
5 rendering professional service to the public (~~becomes~~) is legally  
6 (~~disqualified~~) qualified at all times to render such professional  
7 services within (~~this~~) at least one state in which the corporation  
8 conducts business, he or she shall sever all employment with, and  
9 financial interests in, such corporation forthwith. A corporation's  
10 failure to require compliance with this provision shall constitute a  
11 ground for the forfeiture of its articles of incorporation and its  
12 dissolution. When a corporation's failure to comply with this  
13 provision is brought to the attention of the office of the secretary of  
14 state, the secretary of state forthwith shall certify that fact to the  
15 attorney general for appropriate action to dissolve the corporation.

16       **Sec. 5.** RCW 25.15.045 and 1997 c 390 s 4 are each amended to read  
17 as follows:

18       (1) A person or group of persons licensed or otherwise legally  
19 authorized to render professional services within this or any other  
20 state may organize and become a member or members of a professional  
21 limited liability company under the provisions of this chapter for the  
22 purposes of rendering professional service. A "professional limited  
23 liability company" is subject to all the provisions of chapter 18.100  
24 RCW that apply to a professional corporation, and its managers,  
25 members, agents, and employees shall be subject to all the provisions  
26 of chapter 18.100 RCW that apply to the directors, officers,  
27 shareholders, agents, or employees of a professional corporation,  
28 except as provided otherwise in this section. Nothing in this section  
29 prohibits a person duly licensed or otherwise legally authorized to  
30 render professional services in any jurisdiction other than this state  
31 from becoming a member of a professional limited liability company  
32 organized for the purpose of rendering the same professional services.  
33 Nothing in this section prohibits a professional limited liability  
34 company from rendering professional services outside this state through  
35 individuals who are not duly licensed or otherwise legally authorized  
36 to render such professional services within this state.  
37 (~~Notwithstanding RCW 18.100.065,~~) Persons engaged in a profession and  
38 otherwise meeting the requirements of this chapter may operate under

1 this chapter as a professional limited liability company so long as  
2 each member personally engaged in the practice of the profession in  
3 this state is duly licensed or otherwise legally authorized to practice  
4 the profession in this state and:

5 (a) At least one manager of the company is duly licensed or  
6 otherwise legally authorized to practice the profession in this state;  
7 or

8 (b) Each member in charge of an office of the company in this state  
9 is duly licensed or otherwise legally authorized to practice the  
10 profession in this state.

11 (2) If the company's members are required to be licensed to  
12 practice such profession, and the company fails to maintain for itself  
13 and for its members practicing in this state a policy of professional  
14 liability insurance, bond, or other evidence of financial  
15 responsibility of a kind designated by rule by the state insurance  
16 commissioner and in the amount of at least one million dollars or a  
17 greater amount as the state insurance commissioner may establish by  
18 rule for a licensed profession or for any specialty within a  
19 profession, taking into account the nature and size of the business,  
20 then the company's members are personally liable to the extent that,  
21 had the insurance, bond, or other evidence of responsibility been  
22 maintained, it would have covered the liability in question.

23 (3) For purposes of applying the provisions of chapter 18.100 RCW  
24 to a professional limited liability company, the terms "director" or  
25 "officer" means manager, "shareholder" means member, "corporation"  
26 means professional limited liability company, "articles of  
27 incorporation" means certificate of formation, "shares" or "capital  
28 stock" means a limited liability company interest, "incorporator" means  
29 the person who executes the certificate of formation, and "bylaws"  
30 means the limited liability company agreement.

31 (4) The name of a professional limited liability company must  
32 contain either the words "Professional Limited Liability Company," or  
33 the words "Professional Limited Liability" and the abbreviation "Co.,"  
34 or the abbreviation "P.L.L.C." or "PLLC" provided that the name of a  
35 professional limited liability company organized to render dental  
36 services shall contain the full names or surnames of all members and no  
37 other word than "chartered" or the words "professional services" or the  
38 abbreviation "P.L.L.C." or "PLLC."

1 (5) Subject to the provisions in article VII of this chapter, the  
2 following may be a member of a professional limited liability company  
3 and may be the transferee of the interest of an ineligible person or  
4 deceased member of the professional limited liability company:

5 (a) A professional corporation, if its shareholders, directors, and  
6 its officers other than the secretary and the treasurer, are licensed  
7 or otherwise legally authorized to render the same specific  
8 professional services as the professional limited liability company;  
9 and

10 (b) Another professional limited liability company, if the managers  
11 and members of both professional limited liability companies are  
12 licensed or otherwise legally authorized to render the same specific  
13 professional services.

14 (6)(a) Notwithstanding any other provision of this chapter, health  
15 care professionals who are licensed or certified pursuant to chapters  
16 18.06, 18.19, 18.22, 18.25, 18.29, 18.34, 18.35, 18.36A, 18.50, 18.53,  
17 18.55, 18.57, 18.57A, 18.64, 18.71, 18.71A, 18.79, 18.83, 18.89,  
18 18.108, and 18.138 RCW may own membership interests in and render their  
19 individual professional services through one limited liability company  
20 and are to be considered, for the purpose of forming a limited  
21 liability company, as rendering the "same specific professional  
22 services" or "same professional services" or similar terms.

23 (b) Formation of a limited liability company under this subsection  
24 does not restrict the application of the uniform disciplinary act under  
25 chapter 18.130 RCW, or any applicable health care professional statutes  
26 under Title 18 RCW, including but not limited to restrictions on  
27 persons practicing a health profession without being appropriately  
28 credentialed and persons practicing beyond the scope of their  
29 credential.

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