
SENATE BILL 5298

State of Washington 54th Legislature 1995 Regular Session

By Senators C. Anderson, Deccio, Franklin and Palmer

Read first time 01/18/95. Referred to Committee on Law & Justice.

1 AN ACT Relating to health care professionals doing business as
2 professional service corporations or limited liability companies; and
3 amending RCW 18.100.050 and 25.15.045.

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

5 **Sec. 1.** RCW 18.100.050 and 1991 c 72 s 3 are each amended to read
6 as follows:

7 (1) An individual or group of individuals duly licensed or
8 otherwise legally authorized to render the same professional services
9 within this state may organize and become a shareholder or shareholders
10 of a professional corporation for pecuniary profit under the provisions
11 of Title 23B RCW for the purpose of rendering professional service(~~(+~~
12 ~~PROVIDED, That~~)). One or more of such legally authorized individuals
13 shall be the incorporators of such professional corporation(~~(+~~
14 ~~PROVIDED FURTHER, That~~)).

15 (2) Notwithstanding any other provision of this chapter, registered
16 architects and registered engineers may own stock in and render their
17 individual professional services through one professional service
18 corporation(~~(+ PROVIDED FURTHER, That licensed)~~).

1 (3) Notwithstanding any other provision of this chapter, health
2 care professionals(, providing services to enrolled participants
3 either directly or through arrangements with a health maintenance
4 organization registered under chapter 48.46 RCW or federally qualified
5 health maintenance organization,)) who are licensed or certified under
6 this title may own stock in and render their individual professional
7 services through one professional service corporation((: AND PROVIDED
8 FURTHER, That)) without regard to whether such corporation includes, as
9 shareholders, directors, officers or employees, health care
10 professionals licensed or certified under different chapters of Title
11 18 RCW. For purposes of this exemption, references to "same specific
12 professional services" or "same professional services" or similar words
13 shall mean professional services rendered by a licensed or certified
14 health care professional.

15 (4) Professionals may organize a nonprofit nonstock corporation
16 under this chapter and chapter 24.03 RCW to provide professional
17 services, and the provisions of this chapter relating to stock and
18 referring to Title 23B RCW (~~shall~~)) do not apply to any such
19 corporation.

20 **Sec. 2.** RCW 25.15.045 and 1994 c 211 s 109 are each amended to
21 read as follows:

22 (1) A person or group of persons licensed or otherwise legally
23 authorized to render professional services within this state may
24 organize and become a member or members of a professional limited
25 liability company under the provisions of this chapter for the purposes
26 of rendering professional service. A "professional limited liability
27 company" is subject to all the provisions of chapter 18.100 RCW that
28 apply to a professional corporation, and its managers, members, agents,
29 and employees shall be subject to all the provisions of chapter 18.100
30 RCW that apply to the directors, officers, shareholders, agents, or
31 employees of a professional corporation, except as provided otherwise
32 in this section. Nothing in this section prohibits a person duly
33 licensed or otherwise legally authorized to render professional
34 services in any jurisdiction other than this state from becoming a
35 member of a professional limited liability company organized for the
36 purpose of rendering the same professional services. Nothing in this
37 section prohibits a professional limited liability company from
38 rendering professional services outside this state through individuals

1 who are not duly licensed or otherwise legally authorized to render
2 such professional services within this state. Notwithstanding RCW
3 18.100.065, persons engaged in a profession and otherwise meeting the
4 requirements of this chapter may operate under this chapter as a
5 professional limited liability company so long as:

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

9 (b) Each resident manager or member in charge of an office of the
10 company in this state and each resident manager or member personally
11 engaged in this state in the practice of the profession is duly
12 licensed or otherwise legally authorized to practice the profession in
13 this state.

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

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

35 (4) The name of a professional limited liability company must
36 contain either the words "Professional Limited Liability Company," or
37 the words "Professional Limited Liability" and the abbreviation "Co.,"
38 or the abbreviation "P.L.L.C." provided that the name of a professional
39 limited liability company organized to render dental services shall

1 contain the full names or surnames of all members and no other word
2 than "chartered" or the words "professional services" or the
3 abbreviation "P.L.L.C."

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

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

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

17 (6) Notwithstanding any other provision of this chapter, health
18 care professionals who are licensed or certified under this title may
19 own stock in and render their individual professional services through
20 one limited liability company without regard to whether such company
21 includes, as managers, members, agents, or employees, health care
22 professionals licensed or certified under different chapters of Title
23 18 RCW. For purposes of this exemption, references to "same specific
24 professional services" or "same professional services" or similar words
25 shall mean professional services rendered by a licensed or certified
26 health care professional.

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