

CERTIFICATION OF ENROLLMENT
SUBSTITUTE SENATE BILL 5100

Chapter 18, Laws of 1997

55th Legislature
1997 Regular Session

PROFESSIONAL SERVICE CORPORATIONS--TRANSFERS TO QUALIFIED TRUSTS

EFFECTIVE DATE: 7/27/97

Passed by the Senate February 14, 1997

YEAS 45 NAYS 3

BRAD OWEN

President of the Senate

Passed by the House April 8, 1997

YEAS 97 NAYS 0

CLYDE BALLARD

**Speaker of the
House of Representatives**

Approved April 15, 1997

CERTIFICATE

I, Mike O Connell, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5100** as passed by the Senate and the House of Representatives on the dates hereon set forth.

MIKE O'CONNELL

Secretary

FILED

April 15, 1997 - 5:36 p.m.

GARY LOCKE

Governor of the State of Washington

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 5100

Passed Legislature - 1997 Regular Session

State of Washington 55th Legislature 1997 Regular Session

By Senate Committee on Law & Justice (originally sponsored by Senators Oke and Strannigan)

Read first time 02/06/97.

1 AN ACT Relating to professional service corporations; and amending
2 RCW 18.100.030, 18.100.090, 18.100.095, 18.100.110, and 18.100.116.

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

4 **Sec. 1.** RCW 18.100.030 and 1983 c 51 s 2 are each amended to read
5 as follows:

6 As used in this chapter the following words shall have the meaning
7 indicated:

8 (1) The term "professional service" means any type of personal
9 service to the public which requires as a condition precedent to the
10 rendering of such service the obtaining of a license or other legal
11 authorization and which prior to the passage of this chapter and by
12 reason of law could not be performed by a corporation, including, but
13 not by way of limitation, certified public accountants, chiropractors,
14 dentists, osteopaths, physicians, (~~podiatrists~~) podiatric physicians
15 and surgeons, chiropodists, architects, veterinarians and attorneys at
16 law.

17 (2) The term "professional corporation" means a corporation which
18 is organized under this chapter for the purpose of rendering
19 professional service.

1 (3) The term "ineligible person" means any individual, corporation,
2 partnership, fiduciary, trust, association, government agency, or other
3 entity which for any reason is or becomes ineligible under this chapter
4 to own shares issued by a professional corporation. The term includes
5 a charitable remainder unitrust or charitable remainder annuity trust
6 that is or becomes an ineligible person for failure to comply with
7 subsection (5)(b) of this section.

8 (4) The term "eligible person" means an individual, corporation,
9 partnership, fiduciary, qualified trust, association, government
10 agency, or other entity, that is eligible under this chapter to own
11 shares issued by a professional corporation.

12 (5) The term "qualified trust" means one of the following:

13 (a) A voting trust established under RCW 23B.07.300, if the
14 beneficial owner of any shares on deposit and the trustee of the voting
15 trust are qualified persons;

16 (b) A charitable remainder unitrust as defined in section 664(d)(1)
17 of the internal revenue code or a charitable remainder annuity trust as
18 defined in section 664(d)(2) or 664(d)(3) of the internal revenue code
19 if the trust complies with each of the following conditions:

20 (i) Has one or more beneficiaries currently entitled to income,
21 unitrust, or annuity payments, all of whom are eligible persons or
22 spouses of eligible persons;

23 (ii) Has a trustee who is an eligible person and has exclusive
24 authority over the share of the professional corporation while the
25 shares are held in the trust, except that a cotrustee who is not an
26 eligible person may be given authority over decisions relating to the
27 sale of shares by the trust;

28 (iii) Has one or more designated charitable remaindermen, all of
29 which must at all times be domiciled or maintain a local chapter in
30 Washington state; and

31 (iv) When distributing any assets during the term of the trust to
32 charitable organizations, the distributions are made only to charitable
33 organizations described in section 170(c) of the internal revenue code
34 that are domiciled or maintain a local chapter in Washington state.

35 **Sec. 2.** RCW 18.100.090 and 1983 c 51 s 4 are each amended to read
36 as follows:

37 Except as otherwise provided in RCW 18.100.118, no professional
38 corporation organized under the provisions of this chapter may issue

1 any of its capital stock to anyone other than the trustee of a
2 qualified trust or an individual who is duly licensed or otherwise
3 legally authorized to render the same specific professional services
4 within this state as those for which the corporation was incorporated.

5 **Sec. 3.** RCW 18.100.095 and 1983 c 51 s 12 are each amended to read
6 as follows:

7 Except for qualified trusts, a proxy, voting trust, or other voting
8 agreement with respect to shares of a professional corporation shall
9 not be valid unless all holders thereof, all trustees and beneficiaries
10 thereof, or all parties thereto, as the case may be, are eligible to be
11 shareholders of the corporation.

12 **Sec. 4.** RCW 18.100.110 and 1983 c 51 s 5 are each amended to read
13 as follows:

14 No shareholder of a corporation organized as a professional
15 corporation may sell or transfer his or her shares in such corporation
16 except to the trustee of a qualified trust or another individual who is
17 eligible to be a shareholder of such corporation. Any transfer of
18 shares in violation of this section shall be void. However, nothing in
19 this section prohibits the transfer of shares of a professional
20 corporation by operation of law or court decree.

21 **Sec. 5.** RCW 18.100.116 and 1991 c 72 s 4 are each amended to read
22 as follows:

23 (1) If:

24 (a)(i) A shareholder of a professional corporation dies(~~(, or if)~~);

25 (ii) A shareholder of a professional corporation becomes an
26 ineligible person;

27 (iii) Shares of a professional corporation are transferred by
28 operation of law or court decree to an ineligible person(~~(, and if)~~);
29 or

30 (iv) A charitable remainder unitrust or charitable remainder
31 annuity trust that holds shares of a professional corporation becomes
32 an ineligible person; and

33 (b) The shares held by the deceased shareholder or by such
34 ineligible person are less than all of the outstanding shares of the
35 corporation(~~(÷)~~), then

1 (~~(+1)~~) the shares held by the deceased shareholder or by the
2 ineligible person may be transferred to remaining shareholders of the
3 corporation or may be redeemed by the corporation pursuant to terms
4 stated in the articles of incorporation or by laws of the corporation,
5 or in a private agreement. In the absence of any such terms, such
6 shares may be transferred to any individual eligible to be a
7 shareholder of the corporation.

8 (2) If such a redemption or transfer of the shares held by a
9 deceased shareholder or an ineligible person is not completed within
10 twelve months after the death of the deceased shareholder or the
11 transfer, as the case may be, such shares shall be deemed to be shares
12 with respect to which the holder has elected to exercise the right of
13 dissent described in chapter 23B.13 RCW and has made written demand on
14 the corporation for payment of the fair value of such shares. The
15 corporation shall forthwith cancel the shares on its books and the
16 deceased shareholder or ineligible person shall have no further
17 interest in the corporation other than the right to payment for the
18 shares as is provided in RCW 23B.13.250. For purposes of the
19 application of RCW 23B.13.250, the date of the corporate action and the
20 date of the shareholder's written demand shall be deemed to be one day
21 after the date on which the twelve-month period from the death of the
22 deceased shareholder, or from the transfer, expires.

Passed the Senate February 14, 1997.

Passed the House April 8, 1997.

Approved by the Governor April 15, 1997.

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