

HOUSE BILL REPORT

SSB 6411

As Reported by House Committee On: Judiciary

Title: An act relating to professional service corporations.

Brief Description: Expanding the eligibility of certain representatives and transferees to serve as directors, officers, and shareholders of professional service corporations.

Sponsors: Senate Committee on Law & Justice (originally sponsored by Senators Angel, Bailey, Rivers, Becker, Warnick and Padden).

Brief History:

Committee Activity:

Judiciary: 2/24/16, 2/26/16 [DP].

Brief Summary of Substitute Bill

- Extends the time that a recipient of all outstanding shares of a professional corporation may be a director, officer, or shareholder of the corporation from 12 months to 36 months, provided that at least one officer and one director is licensed or authorized to practice the profession of the corporation within 12 months.
- Expands the list of circumstances under which a person may receive all outstanding shares of a professional corporation due to the death or ineligibility of a shareholder, to include receipt of shares through a community property agreement or as distribution from the former shareholder's estate or trust.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass. Signed by 13 members: Representatives Jinkins, Chair; Kilduff, Vice Chair; Rodne, Ranking Minority Member; Shea, Assistant Ranking Minority Member; Goodman, Haler, Hansen, Kirby, Klippert, Kuderer, Muri, Orwall and Stokesbary.

Staff: Omeara Harrington (786-7136).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Under the Professional Service Corporation Act an individual or group of individuals who practice the same profession may incorporate for the purpose of rendering that professional service to the public. A professional service is any type of personal service in which the person rendering the service must have a license or other legal authorization in order to perform the service. The types of professionals that may create a professional corporation include, but are not limited to: certified public accountants; chiropractors; dentists; osteopaths; physicians; podiatric physicians and surgeons; chiroprodists; architects; veterinarians; and attorneys at law.

Professional corporations may only provide services through persons who are licensed or authorized to perform the professional services. Persons licensed in another state may become a member of a professional corporation in Washington that performs the same professional services, and a professional corporation may render services in another state through persons not licensed in Washington. Clerks, secretaries, bookkeepers, technicians, and other assistants of the corporation need not be licensed or authorized to practice the profession.

Generally, all directors of a professional corporation, and all officers other than the secretary and the treasurer, must be duly licensed or authorized to render the professional services of the corporation. Upon the death or ineligibility of a shareholder of a professional corporation who holds fewer than all outstanding shares, the shares of the deceased or ineligible person may be transferred to the remaining shareholders, redeemed by the corporation, or transferred to an individual eligible to be a shareholder. If all outstanding shares of a professional corporation are passed to an administrator, executor, guardian, conservator, or receiver of the estate, or other person receiving the shares by operation of law or court decree, the receiving party may be a director, officer, or shareholder of the professional corporation for a period of 12 months.

Summary of Bill:

A person receiving all outstanding shares of a professional corporation from a person who has died or become ineligible to own shares may be a director, officer, or shareholder of the corporation for a period of 36 months, rather than 12 months. No later than 12 months after the transfer, at least one officer and one director of the corporation must be duly licensed or otherwise authorized to practice the profession in Washington.

The list of circumstances under which a person may receive all outstanding shares of a professional corporation from a deceased or ineligible person is expanded to include receipt of shares under a community property agreement or as distribution from the former shareholder's estate or trust.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is a simple bill that came from a veterinarian whose wife helps him run his business. They are concerned over whether she would be able to continue running the business if he were to die. All that is being changed in the bill is an extension of the time period under which the spouse could continue the business from 12 months to 36 months. This gives surviving spouses time to grieve and sell the business. Under the current 12-month time limit, the spouse could be pressed into selling at a lower cost because of the timeframe. This gives the surviving spouse more time to get his or her affairs in order.

(Opposed) None.

Persons Testifying: Senator Angel, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.