

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 66

(Senator Waugh)

Judicial Proceedings

Economic Matters

**Professional Corporations - Approval of Corporate Name by Licensing Unit and
Professional Organization - Exemption**

This bill exempts professional corporations in which a majority of the stockholders are individuals who are licensed, certified, or otherwise authorized to practice a health occupation under the Health Occupations Article from the requirement that the corporation name be approved by the appropriate licensing unit and professional organization under specified circumstances. The exemption does not apply to a professional corporation that provides dental services.

Fiscal Summary

State Effect: Minimal decrease in special fund revenues, due to health occupations boards no longer receiving corporate name approval applications and associated fees. Expenditures are not materially affected.

Local Effect: None.

Small Business Effect: Minimal. Some professional corporations no longer need to obtain corporate name approval from the appropriate health occupations board and professional organization.

Analysis

Current Law: Under the Maryland Professional Service Corporation Act (MPSCA), “professional corporation” means a corporation organized to render professional services. “Professional service” means a service that may only be rendered by a person licensed or otherwise authorized by a State licensing unit to render the service and that may not be

rendered by a corporation. “Professional services” include services provided by a chiropractor, dentist, osteopath, podiatrist, physician, psychologist, and physical therapist.

The name of a professional corporation must contain the surname of one or more of the corporation’s stockholders unless (1) the name of the corporation is approved by the appropriate licensing unit; (2) the licensing unit issues a certificate of authorization for use of the corporate name to the corporation or its incorporator; and (3) the certificate of authorization is attached to the articles of incorporation document in which the name is adopted.

In order to obtain a certificate of authorization, the professional corporation, or its incorporator, must file an application with the licensing unit and pay the required fee, as set by the licensing unit.

Upon receipt of the application, the licensing unit must consult with, and obtain approval from, the professional organization to which a majority of individuals rendering the professional service in the State belong. The professional organization must consider the established ethical standards, rules, and regulations of the profession in determining whether the proposed corporation name is appropriate. Upon approval, the licensing unit may issue the certificate of authorization.

Professional corporations in which a majority of stockholders are licensed physicians are exempt from these requirements.

Background: Chapter 399 of 2009 exempted professional corporations in which a majority of stockholders are physicians from MPSCA’s requirements for corporate name approval. At the time, the Maryland State Medical Society (MedChi) was the professional organization that the State Board of Physicians was required to consult when reviewing professional corporation names. MedChi expressed concern that the corporate name approval process presented liability issues for the organization and consumed resources with limited benefit.

Chapter 229 of 2015 repealed the requirement, under the Health Occupations Article, that licensed chiropractors, licensed massage therapists, and registered massage practitioners obtain approval from the State Board of Chiropractic and Massage Therapy Examiners prior to using a trade name.

According to several health occupations boards, few applications for corporate name approval are received per year. Specifically, the State Board of Dental Examiners advises that it receives 15 applications for corporate name approval per year. The State Board of Examiners in Optometry and the State Board of Podiatric Medical Examiners each advise

that they receive one or two applications per year. Application fees range from \$10 (Optometry) to \$150 (Dental Examiners).

The State Board of Nursing advises that it received fewer than three applications every other month, but that it no longer approves applications because the appropriate professional associations are unable to assist. The board advises that professional nurse associations do not meet frequently enough to approve applications; the associations also do not consider corporate name approval an appropriate function for them to perform. (The board advises that it shares the nurse associations' position.)

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, State Department of Assessments and Taxation, Department of Legislative Services

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