

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 634

(Senator Pugh, *et al.*)

Judicial Proceedings

Economic Matters

Professional Corporations - Professional Services - Multiple Professions

This bill alters the conditions under which a corporation may be a professional corporation for the purposes of rendering professional services within two or more professions. The bill allows a corporation to be a professional corporation if the professional services rendered are “the same, similar, or related.”

Fiscal Summary

State Effect: The bill does not directly affect State finances or operations.

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law: “Professional service” is defined as a service that may lawfully be rendered only by a person licensed or otherwise authorized by a licensing unit in the State to render the service and that may not lawfully be rendered by a corporation under the Maryland General Corporation Law. A corporation may elect to be a professional corporation by including in the articles of incorporation a statement that the corporation is a professional services corporation and the corporation’s purpose is to render the professional services specified.

Except as otherwise permitted, a corporation may elect to be a professional corporation solely for the purpose of rendering professional services within a single profession. Generally, a corporation that is eligible to be a professional corporation may not organize

under any other corporate form. However, architects, professional engineers, licensed real estate professionals, and veterinarians are exempt from that requirement. A corporation may elect to be a professional corporation for the purpose of rendering professional services within two or more professions, if the combination of professional purposes is authorized by the licensing laws applicable to each profession in the combination.

Background: The Maryland Professional Service Corporation Act permits members of certain professions to organize their practices as a professional corporation. Through this business form, licensed individuals are able to obtain the benefits of limited liability and certain advantages available to corporations under federal tax law. Ownership of stock in a professional corporation is limited to individuals holding licenses in the profession.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation; Department of Health and Mental Hygiene; Office of the Attorney General (Securities Division); Department of Labor, Licensing, and Regulation; Department of Legislative Services

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