

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 498

(Delegate Feldman)

Economic Matters

Judicial Proceedings

---

Professional Service Corporations - Corporate Names - Approval by Professional  
Organizations

---

This bill exempts a professional corporation in which a majority of stockholders are physicians licensed by the State Board of Physicians from the requirement that the name of a professional corporation be approved by the appropriate licensing unit under certain circumstances.

---

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:** None.

---

Analysis

**Current Law:** The name of a domestic professional corporation or foreign professional corporation conducting business in the State must contain the surname of one or more stockholders of the corporation unless the corporation's name is approved by the appropriate licensing unit; a certificate of authorization for use of the corporate name is issued by the licensing unit; and the certificate of authorization for use of the corporate name is attached to the corporation's articles of incorporation.

Upon receipt of the required application and fee, the licensing unit must consult with and obtain the approval of the professional organization, if one exists, to which a majority of individuals in the State rendering the professional service belong. In determining the

proposed corporate name, the professional organization must consider the profession's established ethical standards, rules, and regulations. If the licensing unit and the professional organization approve of the proposed corporate name, the licensing unit must issue a certificate of authorization for use of a corporate name.

**Background:** The Maryland State Medical Society, better known as MedChi, is the professional organization with which the Board of Physicians must consult. However, MedChi has concerns that the corporate name approval process presents liability issues for the society and has consumed valuable resources with limited benefit. Thus, MedChi has attempted to withdraw from the process, which has resulted in the Board of Physicians refusing to process the corporate name applications of physician applicants. Currently, MedChi's corporate name approval process is handled by its legal department, with input from physician leadership and in accordance with recognized ethical guidelines.

---

### 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 Legislative Services

**Fiscal Note History:** First Reader - February 9, 2009  
mlm/ljm Revised - Enrolled Bill - May 18, 2009

---

Analysis by: Jason F. Weintraub

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510