

POLICY STATEMENT ON OF LICENSING OR OTHER LEGAL AUTHORIZATION OF
SHAREHOLDERS OF PROFESSIONAL SERVICE CORPORATIONS OR MEMBERS AND
MANAGERS OF PROFESSIONAL LIMITED LIABILITY COMPANIES

P.A. 166 of 1990 amended the Professional Service Corporation Act, PA 192 of 1962, to generally permit a professional service corporation to have shareholders who are licensed or otherwise legally authorized to perform one or more of the professional services of the corporation. There are two exceptions to the general rule.

1. The corporation may not have shareholders licensed to perform less than all the professional services of the corporation if the practice is prohibited by another statute, administrative rules of the licensing agency, or rules of professional conduct of the profession.
2. Section 4(3) of the act, specifically requires all shareholders of a corporation rendering a professional service included within the Public Health Code, PA 368 of 1978, to be licensed or legally authorized to render the same professional services as the corporation.

The Limited Liability Company Act, P.A. 23 of 1993, as amended by P.A. 52 of 1997, establishes similar requirements for a professional limited liability company and its members and managers.

The policy established in Release 94-1a-C applies in determining whether services are within the "same profession".

To assure that the exceptions to these general rules are not inadvertently overlooked, the Bureau will require articles of incorporation or articles of organization to provide that all shareholders, members or managers will be properly licensed or otherwise legally authorized. In addition the list of shareholders, members or managers required with the annual report for a professional service corporation or a professional limited liability company will be required to certify that each shareholder, member or manager is licensed or otherwise legally authorized to perform the professional services of the corporation or company.

The above policy shall be adopted immediately and remain in effect unless rescinded or modified by the Bureau Director.

Approved by Julie Croll, Director
Corporation, Securities and Land Development Bureau
On September 20, 1999