

SENATE BILL NO. 301—COMMITTEE ON JUDICIARY

(ON BEHALF OF STATE BOARD OF ARCHITECTURE, INTERIOR
DESIGN AND RESIDENTIAL DESIGN

MARCH 8, 2001

Referred to Committee on Judiciary

SUMMARY—Revises provisions governing formation and operation of professional corporation or association by certain multiple disciplines. (BDR 7-634)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to business associations; revising the provisions governing the formation and operation of a professional corporation or association by certain multiple disciplines; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 89.040 is hereby amended to read as follows:
2 89.040 1. One or more persons may organize a professional
3 corporation in the manner provided for organizing a private corporation
4 pursuant to chapter 78 of NRS. Each person organizing the corporation
5 must, except as otherwise provided in subsection 2 of NRS 89.050, be
6 authorized to perform the professional service for which the corporation is
7 organized. The articles of incorporation must contain the following
8 additional information:
9 (a) The profession to be practiced by means of the professional
10 corporation.
11 (b) The names and post office ~~box~~ *boxes* or street addresses, either
12 residence or business, of the original stockholders and directors of the
13 professional corporation.
14 (c) ~~IA~~ *Except as otherwise provided in paragraph (d) of this*
15 *subsection, a* certificate from the regulating board of the profession to be
16 practiced showing that each of the directors, and each of the stockholders
17 who is a natural person, is licensed to practice the profession.
18 *(d) For a professional corporation organized pursuant to this chapter*
19 *and practicing pursuant to the provisions of NRS 623.349, a certificate*



1 *from the regulating board or boards of the profession or professions to*
2 *be practiced showing that control and two-thirds ownership of the*
3 *corporation is held by persons registered or licensed pursuant to the*
4 *applicable provisions of chapter 623, 623A or 625 of NRS. As used in this*
5 *paragraph, "control" has the meaning ascribed to it in NRS 623.349.*

6 2. The corporate name of a professional corporation must contain the
7 words "Professional Corporation" or the abbreviation "Prof. Corp.," or the
8 word "Chartered" or "Limited" or the abbreviation "Ltd." The corporate
9 name must contain the last name of one or more of its stockholders. The
10 corporation may render professional services and exercise its authorized
11 powers under a fictitious name if the corporation has first registered the
12 name in the manner required by chapter 602 of NRS.

13 **Sec. 2.** NRS 89.050 is hereby amended to read as follows:

14 89.050 1. Except as otherwise provided in subsection 2, a
15 professional corporation may be organized only for the purpose of
16 rendering one specific type of professional service and may not engage in
17 any business other than rendering the professional service for which it was
18 organized and services reasonably related thereto, except that a
19 professional corporation may own real and personal property appropriate to
20 its business and may invest its ~~{funds}~~ money in any form of real property,
21 securities or any other type of investment.

22 2. A professional corporation may be organized , *in accordance with*
23 *the provisions of NRS 623.349*, to render a professional service relating to:

24 (a) Architecture, interior design, *residential design*, engineering and
25 landscape architecture, or any combination thereof, and may be composed
26 of persons:

27 (1) Engaged in the practice of architecture as provided in chapter 623
28 of NRS;

29 (2) Practicing as a registered interior designer as provided in chapter
30 623 of NRS;

31 (3) *Engaged in the practice of residential design as provided in*
32 *chapter 623 of NRS;*

33 (4) Engaged in the practice of landscape architecture as provided in
34 chapter 623A of NRS; and

35 ~~{(4)}~~ (5) Engaged in the practice of professional engineering as
36 provided in chapter 625 of NRS.

37 (b) Medicine, homeopathy and osteopathy, and may be composed of
38 persons engaged in the practice of medicine as provided in chapter 630 of
39 NRS, persons engaged in the practice of homeopathic medicine as
40 provided in chapter 630A of NRS and persons engaged in the practice of
41 osteopathic medicine as provided in chapter 633 of NRS. Such a
42 professional corporation may market and manage additional professional
43 corporations which are organized to render a professional service relating
44 to medicine, homeopathy and osteopathy.

45 3. A professional corporation may render a professional service only
46 through its officers and employees ~~{, all of whom must be authorized to~~
47 ~~render that}~~ *who are licensed or otherwise authorized by law to render the*
48 professional service.



1 **Sec. 3.** NRS 89.070 is hereby amended to read as follows:

2 89.070 1. Except as otherwise provided in subsections 2 and 3 ~~1~~ ,
3 **and NRS 623.349:**

4 (a) No corporation organized under the provisions of this chapter may
5 issue any of its stock to anyone other than a natural person who is licensed
6 to render the same specific professional services as those for which the
7 corporation was incorporated.

8 (b) No stockholder of a corporation organized under this chapter may
9 enter into a voting trust agreement or any other type of agreement vesting
10 another person with the authority to exercise the voting power of any or all
11 of his stock, unless the other person is licensed to render the same specific
12 professional services as those for which the corporation was incorporated.

13 (c) No shares of a corporation organized under this chapter may be sold
14 or transferred except to a natural person who is eligible to be a stockholder
15 of the corporation or to the personal representative or estate of a deceased
16 or legally incompetent stockholder. The personal representative or estate of
17 the stockholder may continue to own shares for a reasonable period, but
18 may not participate in any decisions concerning the rendering of
19 professional services.

20 The articles of incorporation or bylaws may provide specifically for
21 additional restrictions on the transfer of shares and may provide for the
22 redemption or purchase of the shares by the corporation, its stockholders or
23 an eligible individual account plan complying with the requirements of
24 subsection 2 at prices and in a manner specifically set forth. A stockholder
25 may transfer his shares in the corporation or any other interest in the assets
26 of the corporation to a revocable trust if he acts as trustee of the revocable
27 trust and any person who acts as cotrustee and is not licensed to perform
28 the services for which the corporation was incorporated does not
29 participate in any decisions concerning the rendering of those services.

30 2. ~~1~~ **Except as otherwise provided in NRS 623.349, a** person not
31 licensed to render the professional services for which the corporation was
32 incorporated may own a beneficial interest in any of the assets, including
33 corporate shares, held for his account by an eligible individual account plan
34 sponsored by the professional corporation for the benefit of its employees,
35 which is intended to qualify under section 401 of the Internal Revenue
36 Code , ~~1~~ 26 U.S.C. § 401 , ~~1~~ if the terms of the trust are such that the
37 total number of shares which may be distributed for the benefit of persons
38 not licensed to render the professional services for which the corporation
39 was incorporated is less than a controlling interest and:

40 (a) The trustee of the trust is licensed to render the same specific
41 professional services as those for which the corporation was incorporated;
42 or

43 (b) The trustee is not permitted to participate in any corporate decisions
44 concerning the rendering of professional services in his capacity as
45 trustee.

46 A trustee who is individually a stockholder of the corporation may
47 participate in his individual capacity as a stockholder, director or officer in
48 any corporate decision.



1 3. ~~IA~~ *Except as otherwise provided in subsection 4, a* professional
2 corporation in which all the stockholders who are natural persons are
3 licensed to render the same specific professional service ~~H~~ may acquire
4 and hold stock in another professional corporation, or in a similar
5 corporation organized pursuant to the corresponding law of another state,
6 *only* if all the stockholders who are natural persons of the corporation
7 whose stock is acquired are licensed in that corporation's state of
8 incorporation to render the same specific professional service as the
9 stockholders who are natural persons of the professional corporation that
10 acquires the stock.

11 4. *A professional corporation practicing pursuant to NRS 623.349 in*
12 *which all the stockholders are natural persons, regardless of whether or*
13 *not the natural persons are licensed to render the same specific*
14 *professional service, may acquire and hold stock in another professional*
15 *corporation or in a similar corporation organized pursuant to the*
16 *corresponding law of another state if control and two-thirds ownership of*
17 *the business organization or association that is acquired is held by*
18 *persons registered or licensed pursuant to the applicable provisions of*
19 *chapter 623, 623A or 625 of NRS. As used in this subsection, "control"*
20 *has the meaning ascribed to it in NRS 623.349.*

21 5. Any act in violation of this section is void and does not pass any
22 rights or privileges or vest any powers, except to an innocent person who is
23 not a stockholder and who has relied on the effectiveness of the action.

24 **Sec. 4.** NRS 89.080 is hereby amended to read as follows:

25 89.080 1. If any officer, stockholder, director or employee of a
26 corporation organized under this chapter who has been rendering
27 professional service to the public becomes legally disqualified to render
28 such professional services within this state, he shall sever within a
29 reasonable period all professional service with and financial interest in the
30 corporation, ~~H~~ but this chapter does not prevent a corporation formed
31 under this chapter from entering into a contract with an employee which
32 provides for severance pay or for compensation for past services upon
33 termination of professional service, whether by death or otherwise.

34 2. ~~No~~ *Except as otherwise provided in NRS 623.349, a natural*
35 person may *not* be an officer or director of a corporation organized under
36 this chapter ~~other than a natural person who~~ *unless he* is licensed to
37 render the same specific professional services as those for which the
38 corporation was incorporated.

39 3. Upon the death of a stockholder of a corporation who has
40 transferred his interest in the corporation to a revocable trust as permitted
41 by NRS 89.070, the trustee of the revocable trust may continue to retain
42 any interest so transferred, including corporate shares, for a reasonable
43 period, but may not exercise any authority concerning the rendering of
44 professional services and may not *, except as otherwise provided in NRS*
45 *623.349,* distribute the corporate interest to any person not licensed to
46 render the services for which the corporation was incorporated.

47 4. A corporation's failure to require compliance with the provisions of
48 this section is a ground for the forfeiture of its charter.



1 **Sec. 5.** NRS 89.230 is hereby amended to read as follows:
2 89.230 ~~{Members}~~ *Except as otherwise provided in NRS 623.349,*
3 *members* who organize a professional association must all be natural
4 persons licensed to render the same specific professional services as those
5 for which the professional association is organized. ~~{A}~~ *Except as*
6 *otherwise provided by law, a* professional association may render
7 professional service only through its members and employees ~~{, all of~~
8 ~~whom must be licensed}~~ *who are licensed or otherwise authorized by law*
9 to render the professional service.

10 **Sec. 6.** NRS 89.240 is hereby amended to read as follows:
11 89.240 1. If any member or employee of a professional association
12 who has been rendering professional service to the public becomes legally
13 disqualified to render the professional service within this state, he shall
14 sever within a reasonable period all professional service with and financial
15 interest in the association; but this chapter does not prevent a professional
16 association from entering into a contract with a member or employee
17 which provides for severance pay or for compensation for past services
18 upon termination of professional service, whether by death or otherwise.
19 Upon the death of a member of the association who has transferred his
20 interest in the association to a revocable trust as permitted by subsection 2,
21 the trustee of the revocable trust may continue to retain any interest so
22 transferred for a reasonable period, but may not exercise any authority
23 concerning the rendering of professional services and may not *, except as*
24 *otherwise provided in NRS 623.349,* distribute the interest in the
25 association or its assets to any person not licensed to render the services for
26 which the association was organized.

27 2. ~~{No}~~ *Except as otherwise authorized by NRS 623.349, a*
28 membership interest in a professional association may *not* be sold or
29 transferred except to a natural person who is eligible to be a member of the
30 association or to the personal representative or estate of a deceased or
31 legally incompetent member, except as provided in this subsection. The
32 personal representative of such a member may continue to own such
33 interest for a reasonable period, but may not participate in any decisions
34 concerning the rendering of professional service. A member may transfer
35 his interest in the association or any other interest in the assets of the
36 association to a revocable trust if he acts as trustee of the revocable trust
37 and any person who acts as cotrustee and is not licensed to perform the
38 services for which the association is organized does not participate in any
39 decisions concerning the rendering of those professional services.

40 3. The articles of association may provide specifically for additional
41 restrictions on the transfer of members' interests and may provide for the
42 redemption or purchase of such an interest by the association or its other
43 members at prices and in a manner specifically set forth in the articles.

44 **Sec. 7.** NRS 89.250 is hereby amended to read as follows:
45 89.250 1. ~~{A}~~ *Except as otherwise provided in subsection 2, a*
46 professional association shall, on or before the last day of the month in
47 which the anniversary date of its organization occurs in each year, furnish a
48 statement to the secretary of state showing the names and residence
49 addresses of all members and employees in such association and shall



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1 certify that all members and employees are licensed to render professional
2 service in this state.
3 2. *A professional association organized and practicing pursuant to*
4 *the provisions of this chapter and NRS 623.349 shall, on or before the*
5 *last day of the month in which the anniversary date of its organization*
6 *occurs in each year, furnish a statement to the secretary of state:*
7 *(a) Showing the names and residence addresses of all members and*
8 *employees of the association;*
9 *(b) Certifying that all members and employees who render*
10 *professional service are licensed or otherwise authorized by law to render*
11 *professional service in this state; and*
12 *(c) Certifying that all members who are not licensed to render*
13 *professional service in this state do not render professional service on*
14 *behalf of the association except as authorized by law.*
15 3. The statement must:
16 (a) Be made on a form prescribed by the secretary of state and must not
17 contain any fiscal or other information except that expressly called for by
18 this section.
19 (b) Be signed by the chief executive officer of the association.
20 ~~13-1~~ 4. Upon filing the annual statement required by this section, the
21 association shall pay to the secretary of state a fee of \$15.
22 ~~14-1~~ 5. As used in this section, “signed” means to have executed or
23 adopted a name, word or mark, including, without limitation, a digital
24 signature as defined in NRS 720.060, with the present intention to
25 authenticate a document.
26 **Sec. 8.** This act becomes effective on July 1, 2001.

