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SENATE BILL NO. 301—COMMITTEE ON JUDICIARY

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

MARCH 8, 2001

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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.

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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 to render a  
23 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:~~ *this*  
3     ~~section 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. ~~HA~~ *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, ~~HA~~ 26 U.S.C. § 401, ~~HA~~ 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. ~~HA~~ *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. ~~HA~~ *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



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 ~~3.4~~ 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 ~~4.4~~ 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.** NRS 625.407 is hereby amended to read as follows:

27 625.407 1. Except as otherwise provided in this section:

28 (a) A firm, partnership, corporation or other person engaged in or  
29 offering to engage in the practice of engineering or land surveying in this  
30 state shall employ full time at least one professional engineer or  
31 professional land surveyor, respectively, at each place of business where  
32 the work is or will be performed; and

33 (b) All engineering or land-surveying work done at a place of business  
34 must be performed under a professional engineer or professional land  
35 surveyor, respectively, who has been placed in responsible charge of the  
36 work and who is employed full time at that particular place of business.

37 2. If the only professional engineer or professional land surveyor  
38 employed full time at a place of business where engineering or land-  
39 surveying work is performed ceases to be employed at that place of  
40 business, during the 30 days next following his departure:

41 (a) The place of business is not required to employ full time a  
42 professional engineer or professional land surveyor; and

43 (b) The professional engineer or professional land surveyor placed in  
44 responsible charge of engineering or land-surveying work performed at the  
45 place of business is not required to be employed full time at that place of  
46 business.

47 3. Except as otherwise provided in subsection 5:

48 (a) A firm, partnership, corporation or other person who performs or  
49 offers to perform engineering services in a certain discipline at a particular



1 place of business in this state shall employ full time at that place of  
2 business a professional engineer licensed in that discipline.  
3 (b) Each person who holds himself out as practicing a certain discipline  
4 of engineering must be licensed in that discipline or employ full time a  
5 professional engineer licensed in that discipline.  
6 4. ~~{Architects, registered interior designers, residential designers,~~  
7 ~~professional}~~ **Professional** engineers and ~~landscape architects may, in~~  
8 ~~accordance with the provisions of NRS 623.349,}~~ **professional land**  
9 **surveyors may** join or form a partnership, corporation, limited-liability  
10 company or other business organization or association with registrants and  
11 licensees outside of their field of practice, or with persons who are not  
12 registered or licensed.  
13 5. The provisions of this section do not apply to a firm, partnership,  
14 corporation or other person who:  
15 (a) Practices professional engineering for his benefit and does not  
16 engage in the practice of professional engineering or offer professional  
17 engineering services to other persons; or  
18 (b) Is engaged in the practice of professional engineering or land  
19 surveying in offices established for limited or temporary purposes,  
20 including offices established for the convenience of field survey crews or  
21 offices established for inspecting construction.  
22 **Sec. 9.** This act becomes effective on July 1, 2001.

