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## WHAT IS A PROFESSIONAL CORPORARION IN CALIFORNIA?

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### DEFINITION

Professional corporation is a corporation formed under the California state laws in order to practice a particular profession.

The following professions may be professional corporations:

- Accounting (see [Bus & P C §§5150–5158](#));
- Acupuncture (see [Bus & P C §§4975–4979](#));
- Architecture (see [Bus & P C §§5610–5610.7](#));
- Audiology (see [Bus & P C §§2536–2537.5](#));
- Chiropractic (see [Bus & P C §§1050–1058](#));
- Clinical social work (see [Bus & P C §§4998–4998.5](#));
- Dentistry (see [Bus & P C §§1800–1808](#));
- Law (see [Bus & P C §§6127.5, 6160–6172](#));
- Marriage and family therapy (see [Bus & P C §§4987.5–4988.2](#));
- Medicine (see [Bus & P C §§2400–2417](#));
- Naturopathic doctors (see [Bus & P C §§3670–3675](#));
- Nursing (see [Bus & P C §§2775–2781](#));
- Optometry (see [Bus & P C §§3160–3167](#));
- Osteopathy (see [Bus & P C §§2402–2417, 3600](#));
- Pharmacy (see [Bus & P C §§4150–4156](#));
- Physical therapy (see [Bus & P C §§2690–2696](#));
- Physician assistants (see [Bus & P C §§3540–3546](#));
- Podiatry (see [Bus & P C §§2402–2417](#));
- Psychology (see [Bus & P C §§2907–2907.5, 2995–2999](#));
- Speech-language pathology and audiology (see [Bus & P C §2537.5](#)); and
- Shorthand court reporters (see [Bus & P C §§8040–8047](#)).



## ARTICLES OF INCORPORATION OF A PROFESSIONAL CORPORATION

In the Articles of Incorporation of Professional Corporations, the specific purpose of the professional corporation should be specified.

### SHAREHOLDERS AND DIRECTORS IN A PROFESSIONAL CORPORATION

Generally, only a licensed professional practicing the profession the professional corporation is engaged in may be a shareholder. Nonetheless, in certain situations, some other licensed professionals may also hold shares. For instance, all of the following licensed professionals may hold shares in a medical corporation: licensed doctors of podiatric medicine; licensed psychologists; registered nurses; licensed optometrists; licensed marriage and family therapists; licensed clinical social workers; licensed physician assistants; licensed chiropractors; licensed physical therapists, and licensed acupuncturists and naturopathic doctors.

**CA Corporations Code Section 13401.5** contains the list of licensed professionals who may be shareholders of certain specified Professional corporations, as long as such people's total share in the professional corporation does NOT exceed 49% of the total number of shares of the professional corporation. It is very important to note that the requirement as to whom could be a shareholder in a particular professional corporation is not uniform. The Code should be carefully and diligently consulted.

### SOME CONSIDERATIONS BEFORE INCORPORATION

- Generally, shareholders of the professional corporation are not personally liable for corporation's debts, EXCEPT certain payroll taxes and obligations arising from the corporation's own negligence;
- NOTE: Professional Limited Liability Companies (LLCs) are NOT allowed in California.
- The ability to shift to lower corporate tax rates from individual rates could be an advantage.
- Generally, shareholders may NOT limit their own malpractice liability in corporate form. However, shareholders may limit their personal liability for the malpractice of their associates. Nonetheless, corporate shield won't protect an individual from personal malpractice or malpractice of those people such individual supervises.
- Shareholders are personally liable for any obligations that they have personally guaranteed.

### SALIENT NOTE

This article NEITHER supplants NOR supplements the breadth or depth of such rarefied topic. In fact, this article ONLY provides a rudimentary analysis of such esoteric subject matter.

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