

80 Stat., 396.

SEC. 4. (a) Section 905(a) of title 5 of the United States Code is amended by striking out "or" at the end of paragraph (5), by striking out the period at the end of paragraph (6) and inserting in lieu thereof a semicolon and the word "or", and by adding after paragraph (6) the following new paragraph:

"(7) dealing with more than one logically consistent subject matter."

83 Stat., 6.

(b) Section 905(b) of title 5, United States Code, is amended by striking out "April 1, 1971" and inserting in lieu thereof "April 1, 1973".

SEC. 5. Section 911(a) of title 5, United States Code, is amended by striking out "10 calendar days" and inserting in lieu thereof "20 calendar days".

Approved December 10, 1971.

Public Law 92-180

December 10, 1971
[H. R. 10383]

AN ACT

To enable professional individuals and firms in the District of Columbia to obtain the benefits of corporate organization, and to make corresponding changes in the District of Columbia Income and Franchise Tax Act.

District of
Columbia Profes-
sional Corpora-
tion Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known and may be cited as the "District of Columbia Professional Corporation Act".

DEFINITIONS

SEC. 2. As used in this Act, unless the context otherwise requires:

(a) The term "professional corporation" means a corporation organized under this Act solely for the specific purposes provided under this Act, and which has as its shareholders only individuals who themselves are duly licensed to render the same professional service as the corporation.

(b) The term "professional service" means any type of personal service to the public which may be lawfully rendered only pursuant to a license and which by law, custom, standards of professional conduct or practice in the District of Columbia, before the effective date of this Act, could not be rendered by a corporation, including without limitation the services performed by certified public accountants, attorneys, architects, practitioners of the healing arts, dentists, optometrists, podiatrists, and professional engineers.

(c) The term "license" or "licensed" refers to a license, certification, certificate, or registration, or other legal authorization required by law as a condition precedent to the rendering of professional service within the District of Columbia.

(d) The term "Council" means the District of Columbia Council or the agent or agents designated by it to perform any function vested in the Council by this Act.

(e) The term "Commissioner" means the Commissioner of the District of Columbia or his designated agent.

EXEMPTION

SEC. 3. This Act shall not apply to any corporation now in existence or hereafter organized which may lawfully render professional services other than pursuant to this Act, nor shall anything herein contained alter or affect any existing or future right or privilege permitting or not prohibiting performance of professional services through the use of any form of business organization. Any corporation organized under the District of Columbia Business Corporation Act (D.C. Code, sec. 29-901 et seq.) may be brought within the provisions of this Act by complying with the provisions of this Act and filing amended or restated articles of incorporation meeting the requirements of section 6 of this Act.

68 Stat. 179.

CONSTRUCTION OF ACT

SEC. 4. The provisions of this Act shall not be construed as repealing, modifying, or restricting the applicable provisions of law relating to corporations, or regulating the several professions covered by this Act, except insofar as such laws conflict with the provisions of this Act.

Except as otherwise provided by this Act, the provisions of the District of Columbia Business Corporation Act shall be applicable to any professional corporation organized under this Act.

68 Stat. 179.
D.C. Code 29-901.

PURPOSE; POWERS

SEC. 5. (a) A professional corporation may be organized solely to render professional services through its shareholders, directors, officers, employees, or agents who are themselves duly licensed to render the particular service, and to render service ancillary thereto. A professional corporation may charge for such services, may collect such charges, and may compensate those who render such service. A professional corporation may employ persons who are not licensed, but such persons shall not perform professional services; and no license shall be required of any person who is employed by a professional corporation to perform services for which no license is otherwise required.

(b) No professional corporation may do any act which is prohibited to an individual licensed to render the professional service for which the corporation is organized.

(c) Notwithstanding any provision of this Act, a professional corporation may—

(i) invest its funds in real estate, mortgages, stocks, bonds, or other type of investment;

(ii) own real estate or personal property; and

(iii) enter into partnership and other agreements with individuals (who may be shareholders, directors, employees, or agents of the professional corporation), partnerships, or professional corporations rendering the same type of professional services within or without the District of Columbia, to the same extent that an individual licensed to render the same professional service may enter into such partnership or other agreements pursuant to law, rules, regulations, or standards of professional conduct of the profession practiced through the professional corporation.

INCORPORATION

SEC. 6. One or more natural persons may incorporate a professional corporation by delivering articles of incorporation in duplicate originals to the Commissioner. The articles of incorporation shall meet the requirements of the District of Columbia Business Corporation Act and, in addition, shall set forth—

68 Stat. 179.
D.C. Code 29-
901.

(a) the designation of the professional services to be rendered through the corporation;

(b) the names and addresses, including street and number, if any, of the original shareholders of the corporation; and

(c) a statement that each of the original shareholders and directors named in the articles of incorporation is licensed to render a professional service for which the corporation is to be organized.

NUMBER OF DIRECTORS

SEC. 7. A professional corporation shall have one or more directors, without regard to the number of shareholders.

QUALIFICATIONS OF SHAREHOLDER, DIRECTOR, AND OFFICER

SEC. 8. No person shall be a shareholder, director, or officer of a professional corporation or render professional services on its behalf unless he is an individual licensed to render a professional service for which the corporation is organized, except that if a professional corporation has only one shareholder, the secretary of the corporation need not be licensed to perform (and may not perform if not so licensed) such professional services. As used in this section, the term "officer" shall mean chairman of the board, president, vice president, treasurer, and secretary. Nothing in this Act shall require a shareholder or incorporator of a professional corporation to have a present or future employment relationship with the corporation or actively to participate in any capacity in the production of income of, or performance of professional service by, such corporation.

"Officer."

CORPORATE NAME

SEC. 9. The corporate name shall contain the words "professional corporation", or the abbreviation "P.C.", or the word "chartered", and shall not contain the word "company", "incorporated", "corporation", or "limited", or an abbreviation of one of such words. A professional corporation shall render professional services and exercise its authorized powers under its corporate name.

PROXY

SEC. 10. No shareholder of a professional corporation shall enter into a voting trust, proxy, or any other arrangement vesting another person (other than another shareholder of the same corporation) with the authority to exercise the voting power of any or all of his shares, and any such voting trust, proxy, or other arrangement shall be void.

PROFESSIONAL RELATIONSHIP; LIABILITIES

SEC. 11. (a) The provisions of this Act shall not be construed to alter or affect the professional relationship between an individual furnishing professional services and an individual receiving such serv-

ice, either with respect to liability arising out of such professional service or the confidential relationship, if any, between the individual rendering, and the individual receiving such professional service. An individual shall be personally liable and accountable only for any negligent or wrongful acts or misconduct committed by him, or by any individual under his supervision and control in the rendering of professional service on behalf of a corporation organized under this Act. No individual shall be so personally liable and accountable merely because he is a director, officer, or manager of the professional corporation.

(b) The corporation shall be liable up to the full value of its assets for any negligent or wrongful acts or misconduct committed by any of its officers, shareholders, directors, agents, or employees in their rendering of professional services on behalf of the corporation. Except as otherwise provided in this section, the liabilities of a professional corporation and its shareholders shall be governed by the District of Columbia Business Corporation Act.

68 Stat. 179.
D.C. Code 29-
901.

TRANSFER OF SHARES

SEC. 12. (a) Shares in a professional corporation may be transferred only to an individual who is eligible under this Act to be a shareholder of such corporation, or to such professional corporation, or may devolve by operation of law upon the personal representative or estate of a deceased or legally incompetent shareholder. The articles of incorporation, bylaws, or an agreement among its shareholders may provide that any such transfer shall be subject to the express approval of all, or of any lesser proportion of the remaining shareholders of the corporation, and may provide for the manner in which such consent shall be given. Any transfer made in violation of this section shall be void.

(b) A professional corporation may reacquire its own shares through purchase or redemption, and may cancel such shares if at least one share remains issued and outstanding, except when it is insolvent or the purchase or redemption would render it insolvent.

(c) The provisions of the District of Columbia Securities Act (D.C. Code, sec. 2-2401, et seq.), and of the Securities Act of 1933, shall not apply to the issuance or transfer of securities of a professional corporation. Every certificate for shares of a professional corporation shall contain on its face the following legend: "The ownership and transfer of these shares and the rights and obligations of shareholders are subject to the limitations of the District of Columbia Professional Corporation Act."

Nonapplicabil-
ity.
78 Stat. 620.
48 Stat. 74.
15 USC 77a.

(d) In the event that shares of a professional corporation are attached for the individual debts of a shareholder, or are executed upon under any pledge or hypothecation thereof, the sole right of the creditor with respect to such shares shall be to obtain their redemption by such professional corporation within sixty days after serving written demand for redemption upon such corporation. The redemption price for such shares shall be (1) the amount to which the shareholder is entitled upon voluntary redemption of his shares by the provisions of the articles of incorporations, bylaws, or an agreement among its shareholders, or if there are no such provisions, (2) the book value of such shares at the end of the month immediately preceding the date of such demand, determined under generally accepted accounting methods consistent with the method of accounting used by the corporation for Federal income tax purposes, by an independent certified public accountant selected by the corporation, but paid by such creditor, for the purpose.

Shares attached
for debts, redemp-
tion.

MERGER OR CONSOLIDATION

SEC. 13. A professional corporation may merge or consolidate only with another domestic professional corporation, and only if both corporations are organized to render the same professional services or professional services which, although not the same, could otherwise be rendered by a single professional corporation.

FOREIGN PROFESSIONAL CORPORATIONS

Certificate of
authority.

SEC. 14. Notwithstanding any other provision of this Act, a foreign professional corporation licensed in a jurisdiction other than the District of Columbia to perform a professional service of the type defined in section 2(b) of this Act, may apply for and obtain a certificate of authority to render such professional service in the District of Columbia under the following terms and conditions:

(a) The articles of incorporation shall meet the requirements of section 6 of this Act, and shall state the address of its registered office in the District of Columbia and the name of its registered agent in the District of Columbia.

(b) The name of the foreign professional corporation shall meet the requirements of section 9 of this Act and shall conform to any ethical standards applicable to the rendering of professional service in the District of Columbia.

(c) The powers of any foreign professional corporation admitted under this section shall not exceed the powers permitted to domestic professional corporations under section 5 of this Act.

Licensed regis-
tered agent.

(d) Any foreign professional corporation seeking admission to the District under the provisions of this section shall have at least one director or officer as resident agent for its registered office in the District. Additionally, such resident agent and any other shareholder, director, officer, employee, or agent who renders professional services within the District on behalf of the foreign professional corporation shall be licensed to render professional service in the District of Columbia.

Annual report.

(e) An annual report shall be filed in accordance with the requirements of section 19 of this Act.

(f) No certificate of authority shall be granted to a professional corporation incorporated in a jurisdiction which does not permit reciprocal admission of professional corporations incorporated under the laws of the District of Columbia.

DISQUALIFIED PROFESSIONAL

SEC. 15. If any individual rendering professional services on behalf of a professional corporation assumes a public office which prohibits his rendering of the professional services, or for any other reason is disqualified by law to render the professional services, he immediately shall sever all employment relationship in which he shares in the corporation's profits attributable to professional services rendered after such assumption of office or other disqualification. For the purposes of section 16 of this Act, he shall be referred to as a "disqualified shareholder".

"Disqualified
shareholder."

STOCK OF DISQUALIFIED, DECEASED, LEGALLY INCOMPETENT SHAREHOLDER

SEC. 16. (a) Subject to the limitations of this section, a disqualified shareholder and personal representatives, legatees, or heirs of a

deceased or legally incompetent shareholder may continue to own shares of a professional corporation but shall not be permitted to participate in any decisions concerning the rendering of professional services by the corporation. The articles of incorporation, bylaws, or an agreement among the shareholders of a professional corporation may provide, consistent with the provisions of this section, for the disposition of shares of a disqualified, deceased, or legally incompetent shareholder.

(b) The articles of incorporation, bylaws, or an agreement among shareholders may provide that, within ninety days (or any earlier date) after the date a shareholder becomes a disqualified shareholder, the disqualified shareholder shall sell and surrender, and the corporation or any individuals qualified to be shareholders shall purchase and receive, his shares of stock of the corporation. In the absence of any such provision, the disqualified shareholder shall sell and surrender, and the corporation shall purchase and receive, his shares of stock of the corporation within thirty days after the date he becomes a disqualified shareholder. Unless otherwise provided by the articles of incorporation, bylaws, or an agreement among the shareholders, payment for the shares of stock purchased pursuant to the provisions of this subsection shall be made in full no later than six months after the expiration of the period by which the purchase must be made.

(c) The articles of incorporation, bylaws, or an agreement among shareholders may provide that, within one year (or any earlier date) after the date of death of a shareholder, his personal representative, legatees, or heirs shall sell and surrender, and the corporation or any individuals qualified to be shareholders shall purchase and receive, the shares of stock of the corporation owned by the deceased shareholder. In the absence of any such provision, the personal representatives, legatees, or heirs shall sell and surrender, and the corporation shall purchase and receive, the shares of stock of the corporation within one hundred and eighty days after the date of death of the shareholder. Unless otherwise provided by the articles of incorporation, bylaws, or an agreement among the shareholders, payment for the shares of stock purchased pursuant to the provision of this subsection shall be made in full no later than one year after the date of death of the shareholder.

REDEMPTION PRICE

SEC. 17. In the event the articles of incorporation, bylaws or an agreement among the shareholders, do not fix the price at which the corporation or its shareholders may purchase the shares of a disqualified, deceased, legally incompetent, retired, or expelled shareholder, or does not provide a method of determining such price, then the price for such shares shall be the book value of such shares on the last day of the month immediately preceding the disqualification, death, adjudication of incompetence, retirement or expulsion of the shareholder, determined under generally accepted accounting methods, consistent with the method of accounting used by the corporation for Federal income tax purposes, by an independent certified public accountant employed by the corporation for the purpose.

PERPETUAL EXISTENCE; DISSOLUTION

SEC. 18. A professional corporation shall have perpetual existence, except that whenever all shareholders of a professional corporation cease at any time for any reason to be licensed to perform the professional services for which the corporation was organized, the professional corporation shall be treated as converted into a corporation organized under the District of Columbia Business Corporation Act. Unless the holders of all of the outstanding shares of the corporation unanimously amend the articles of incorporation to adopt purposes consistent with the District of Columbia Business Corporation Act within sixty days after the date on which the last shareholder of the corporation ceased to be licensed to perform those professional services, the dissolution of the corporation shall be deemed to have been authorized by the act of the corporation and any shareholder may at any time thereafter file with the Commissioner, on behalf of the corporation, a statement of intent to dissolve.

68 Stat. 179,
D.C. Code 29-
901.

ANNUAL REPORT

SEC. 19. The annual reports of a professional corporation shall meet the requirements of the District of Columbia Business Corporation Act and, in addition, shall set forth—

(a) the names and addresses, including street and number, if any, of all shareholders of the corporation; and

(b) a statement that each shareholder, director, and officer of the corporation is currently licensed to render a professional service for which the corporation is organized.

NONCOMPLIANCE; PENALTIES

SEC. 20. The failure of a professional corporation to comply, or to require compliance with any provision of this Act, shall be a ground for the involuntary dissolution of such corporation. Any person, including a corporation, who violates any provision of this Act or who fails to comply with any provision thereof, for which violation or failure no penalty is provided therein or elsewhere in the laws of the District of Columbia, shall be deemed guilty of a misdemeanor and upon conviction thereof by a court of competent jurisdiction shall be fined not more than \$500 for each violation or failure.

AMENDMENT TO THE DISTRICT OF COLUMBIA INCOME AND
FRANCHISE TAX ACT OF 1947

SEC. 21. The second sentence of section 1 of title VIII of the District of Columbia Income and Franchise Tax Act of 1947 (D.C. Code, sec. 47-1547) is amended to read as follows: "The words 'unincorporated business' do not include any trade or business which by law, customs, or ethics cannot be incorporated, any trade, business, or profession which can be incorporated only under the District of Columbia Professional Corporation Act, or any trade or business in which more than 80 per centum of the gross income is derived from the personal services actually rendered by the individual or members of the partnership or other entity in the conducting or carrying on of any trade or business and in which capital is not a material income-producing factor."

61 Stat. 345.
D.C. Code 47-
1574.

"Unincorporated
business."

Ante, p. 576.

Approved December 10, 1971.