

February 28, 1963.
Passed on File. *Judiciary 1 3/11*

House File 451
By KNOWLES.

Passed House, Date..... Passed Senate, Date.....
Vote: Ayes..... Nays..... Vote: Ayes..... Nays.....
Approved.....

A BILL FOR

An Act to provide for professional corporations and to allow these corporations to be organized and operated under the laws of the state of Iowa under certain specified conditions.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Short title. This Act shall be known and may be
2 cited as the "Iowa Professional Corporation Act."

1 Sec. 2. Definitions. As used in this Act, unless the context
2 otherwise requires, the term:

3 1. "Professional service" means any type of professional ser-
4 vice which may be legally performed only pursuant to a license,
5 registration, certificate or other legal authorization and which,
6 but for this Act, could not be legally performed by or through a
7 corporation.

8 2. "Professional corporation" means a corporation organized un-
9 der chapter four hundred ninety-six A (496A) of the Code and under
10 this Act for the sole purpose of rendering a professional service.

1 Sec. 3. Who may organize a professional corporation. An in-
2 dividual or group of individuals, each of whom is licensed, regis-
3 tered, certified or otherwise legally authorized to render the same
4 kind of professional service within this state may organize and
5 become a shareholder or shareholders of a professional corporation.

1 Sec. 4. Purpose for which incorporated. A professional
2 corporation may be organized only for the purpose of rendering
3 one specific kind of professional service, which purpose shall be

4 stated in its articles of incorporation, and it shall not engage
5 in any business or profession other than rendering the professional
6 service for which it was organized. However, it may invest its
7 funds in real estate, mortgages, stocks, bonds, savings accounts
8 or any other type of investment and may own real or personal
9 property necessary or appropriate for rendering its professional
10 service. Unless otherwise stated in its articles of incorporation
11 or unless prohibited by this Act, it shall have all powers granted
12 to corporations by the Iowa Business Corporation Act.

1 Sec. 5. How service rendered. Notwithstanding any other
2 statute or rule of law, a professional corporation may render a
3 professional service, but may render such service only through
4 officers, employees and agents who are themselves duly licensed,
5 registered, certified or otherwise legally authorized to render
6 such professional service within this state. The term "employees"
7 as used in this section does not include clerks, stenographers,
8 bookkeepers, technicians or other individuals who are not usually
9 and ordinarily considered by custom and practice to be rendering
10 professional services for which a license, registration, certifi-
11 cation or other legal authorization is required, nor does such
12 term include any other person who performs all his employment
13 under the direct supervision and control of an officer, agent or
14 employee who is himself authorized to render such professional
15 service on behalf of the corporation.

1 Sec. 6. Relationship to persons served. This Act does not
2 modify any law applicable to the relationship between an indi-
3 vidual person furnishing or performing a professional service and a
4 person receiving such service, including any liability arising out
5 of such professional service and including any law respecting

6 privileged communications between such persons. For the purpose
7 of determining any liability arising out of the furnishing or
8 performing of such professional service, the corporation and all
9 of its officers, directors and shareholders shall be jointly and
10 severally liable to the same extent as the individual who actually
11 furnished or performed such professional service.

1 Sec. 7. To whom shares issued. A professional corporation
2 may issue its shares only to individual persons who are duly li-
3 censed, registered, certified or otherwise legally authorized to
4 render within this state the same professional service as that for
5 which the corporation was organized.

1 Sec. 8. Transfer of shares. A shareholder of a professional
2 corporation may sell or transfer his shares in such corporation
3 only to the corporation or to another individual person who is
4 duly licensed, registered, certified or otherwise legally authorized
5 to render within this state the same professional service as that
6 for which the corporation was organized.

1 Sec. 9. Ownership of shares. At no time shall any person
2 own any legal, equitable or beneficial interest in any shares of
3 the corporation or in any rights with respect to such shares
4 except an individual person who is duly licensed, registered,
5 certified or otherwise legally authorized to render within this
6 state the same professional service as that for which the corpora-
7 tion was organized. Any shares of the corporation held or
8 owned other than in compliance with this section and section
9 twelve (12) of this Act shall be redeemable by the corporation at
10 the price fixed by the articles of incorporation or the bylaws.

1 Sec. 10. Certificates for shares. Each certificate repre-
2 senting a share or shares of a professional corporation shall

3 state upon the face thereof: "This certificate represents (a
4 share) shares in a professional corporation and may not be trans-
5 ferred except to the corporation or to another member of the same
6 profession."

1 Sec. 11. Management. All of the officers and directors of a
2 professional corporation shall at all times be persons who are duly
3 licensed, registered, certified or otherwise legally authorized to
4 render within this state the same professional service as that for
5 which the corporation was organized. No person who is not so
6 licensed, registered, certified or authorized shall have any part
7 in the management or control of such corporation, nor may any
8 proxy to vote any shares of such corporation be given to a person
9 who is not so licensed, registered, certified or authorized.

1 Sec. 12. Disqualification and conflicting interest. No per-
2 son who is elected to a public office or who engages in any occu-
3 pation may be an officer, director, shareholder, agent or employee
4 of a professional corporation if, under existing law, the holding
5 of such office or engaging in such occupation constitutes any
6 restriction or limitation upon the furnishing, rendering or per-
7 forming of the professional service which such person was other-
8 wise authorized to furnish, render or perform on behalf of such
9 professional corporation.

1 Sec. 13. Ethical standards and conduct. This Act shall not
2 be construed as modifying or affecting the ethical standards or
3 standards of conduct of any profession.

1 Sec. 14. Foreign activity and merger prohibited. No profes-
2 sional corporation may have any office outside of this state nor
3 may it customarily or regularly render any professional service
4 outside of this state. No such corporation may own or have any

5 interest of any kind in any other professional corporation nor
6 may it merge or consolidate with any other corporation except
7 another professional corporation organized under this Act to ren-
8 der the same kind of professional service.

1 Sec. 15. Annual report. Each annual report of a professional
2 corporation shall, in addition to the matters required by the
3 Iowa Business Corporation Act, set forth:

4 1. The names and addresses of each shareholder.

5 2. A statement, under oath, that all officers, directors and
6 shareholders of the corporation, including persons having any
7 beneficial interest in such shares, and all employees and agents
8 of the corporation who render a professional service on behalf
9 of the corporation are duly licensed, registered, certified or
10 legally authorized to render within this state the professional
11 service for which the corporation was organized.

12 3. Whether or not any disciplinary action for professional
13 misconduct or any criminal charge, other than for a minor traf-
14 fic violation, is pending against any officer, director or share-
15 holder of the corporation or against any employee or agent of the
16 corporation who renders a professional service on behalf of the
17 corporation.

18 The foregoing matters may be reported on a separate form
19 prescribed and furnished by the secretary of state or may be
20 included on or with the annual report required by the Iowa Busi-
21 ness Corporation Act, as the secretary of state may prescribe.

1 Sec. 16. Annual license fees. The annual license fee of each
2 professional corporation shall be the amount provided in the Iowa
3 Business Corporation Act plus the sum of fifty dollars.

1 Sec. 17. Dissolution. Violation of any provision of this Act

2 by a professional corporation shall be cause for its involuntary
3 dissolution as provided in the Iowa Business Corporation Act.
4 Upon the death or upon the disqualification to be a shareholder
5 of the last remaining shareholder of the corporation, the corpora-
6 tion shall not thereafter render any professional service and it
7 shall be promptly dissolved.

1 Sec. 18. Corporate name. The corporate name of a professional
2 corporation shall contain the last name of one or more of the
3 shareholders followed by the words "chartered," "professional
4 corporation" or "professional association" or by the abbreviation
5 "P. C." or "P. A."

1 Sec. 19. Applicability of Iowa Business Corporation Act. The
2 Iowa Business Corporation Act shall be applicable to professional
3 corporations, including their organization, except that if any
4 provision of this Act conflicts with the Iowa Business Corporation
5 Act, this Act shall take precedence.

1 Sec. 20. Severability and precedence. If any provision of
2 this Act or the application thereof to any person or circumstances
3 is held to be invalid, such invalidity shall not affect other pro-
4 visions or applications of this Act which can be given effect
5 without the invalid provision or application, and to this end
6 the provisions of this Act are declared to be severable. This
7 Act shall take precedence over any statutory provision which
8 is in conflict herewith.

EXPLANATION OF HOUSE FILE 451

This bill is similar to that passed by other states which permit professional men to incorporate and to eliminate the tax disadvantage that such partnerships have compared to corporations.