

[OP Homepage](#) | [List of Professions](#) | [Contact Us](#) | [Online License Verifications](#)



Corporate Entities for Professional Practice

Introduction

Disclaimer

I. Professions Under Jurisdiction of the State Education Department

II. Overview of Filing for a Professional Business Entity

III. Domestic Professional Service Corporations (PC)

IV. Foreign Professional Service Corporations (PC)

V. Professional Service Limited Liability Companies (PLLC)

VI. Foreign Professional Service Limited Liability Companies (PLLC)

VII. Certificate of Authorization to Provide Engineering/Land Surveying Services

VIII. Registered Professional Limited Liability Partnerships (LLP)

IX. Notifying the State Education Department of Changes in Business Entities

X. State Education Department Fees

Contact Information

Introduction

Some professionals practice their profession as individual licensed practitioners. Others practice in some sort of corporate or other business entity structure. Not all business structures may legally provide professional services. The following brief descriptions are based in law¹ and address different corporate practice venues. These descriptions provide basic information on common acceptable organizational structures for licensed professionals. This general information is no substitute for consulting the law and/or an attorney directly for guidance before deciding to practice in a specific corporate arrangement. There are many factors, including tax consequences, and personal and professional liability, to consider when deciding which form a professional practice should take.

Licensed professionals may set up a professional service corporation (PC), a professional service limited liability company (PLLC) or a registered limited liability partnership (LLP) if they want to be incorporated, organized as a limited liability company or registered as a limited liability partnership. Generally, licensed professionals may not set up a general business corporation (GBC) to provide professional services. There are a number of exceptions to the general rule prohibiting the practice of the professions by an entity that is not specifically established to provide professional services such as a professional services corporation. One such exception is a hospital that is authorized to provide health services pursuant to the public health law. Other exceptions include entities established to offer optometry, ophthalmic dispensing, massage therapy, pharmacy, speech-language pathology and audiology services.

- Except where specifically authorized by law, a general business corporation may not:
 - provide professional services to the public;
 - exercise any judgment over the delivery of professional services;
 - have employees who offer professional services to the public;
 - hold itself out as offering professional services; or
 - share profits or split fees with licensed professionals.
- A GBC may employ licensed professionals to provide

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in-house on site services to its own employees. For example, General Motors may employ a company nurse to provide services to the employees of General Motors. However, General Motors may not set up a business to provide these services to the public.

- A GBC may provide services used by professionals. In these cases, there must be a clear distinction between who is providing professional services and who is providing the management services. Failing to do so may result in professional misconduct and/or unlicensed practice of the profession. For example, a GBC may:
 - find jobs for licensed professionals;
 - find licensed professionals for potential employers; and
 - manage the services of licensed professionals, including providing services to the professional for a fee, e.g., scheduling or billing.
- A professional corporation may not serve as a management services corporation. A PC may only provide services in its field. For example, a hypothetical PC named "Occupational Therapists For Everyone, PC" may only provide occupational therapy services. It cannot offer physical therapy services, speech services or any other professional services. Also, because it is allowed only to provide professional services, it can only manage the services that it provides. That is, it cannot provide management services to other occupational therapists.
- A professional service limited liability company may provide professional services in more than one profession* provided that the company includes an "owner" (i.e., member, manager, shareholder, partner) licensed in each of the professions in which the company will offer services. For example, the hypothetical LLC, Health Professionals, has seven members: an acupuncturist, an audiologist, a nurse, an occupational therapist, a physical therapist, a psychologist, and a speech-language pathologist. This LLC may provide services in all of these professions. It may not, however, provide respiratory therapy or optometry services, because none of its "owners" are licensed in those two professions. Additionally, a special education teacher may not be a partner in a LLC because its owners must all be professionals licensed in the professions in which the company is authorized to provide services.

***Note** that this does not apply in the professions of medicine,

dentistry, veterinary medicine, licensed clinical social work, mental health counseling, psychoanalysis, creative arts therapy, or marriage and family therapy.

Disclaimer

The information on these pages is provided as general guidance, is not binding, and does not supercede the relevant laws, rules and regulations that apply. Should you have specific questions about the application of the specific laws in the formation of a professional entity, you should seek personal legal counsel.

¹ The following statutes are applicable: Education Law, [Title 8](#), Article 130, Section 6507; Business Corporations Law, Articles 4, 15 and 15-A.



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