

March 25, 1969

Passed on File

*Commerce 3-25, Pass 4-23*

*Reassigned " 1-13, Pass as amended 1-27  
See Commerce 2-4, Pass 2-4*

*As printed 2-2*

SENATE FILE 554

By STANLEY, WALSH, CLARKE,  
MOWRY, BENDA, LAMBORN,  
BALLOUN, DENMAN, DeKOSTER,  
NEU, CONKLIN and SHIRLEY

Passed Senate, Date 2-2-70 Passed House, Date .....

Vote: Ayes 50 Nays 3 Vote: Ayes ..... Nays .....

Approved .....

## A BILL FOR

- 1 An Act relating to professional corporations and foreign pro-
- 2 fessional corporations.
- 3 *Be It Enacted by the General Assembly of the State of Iowa:*
- 4 Section 1. Short title. This Act shall be known and may
- 5 be cited as the "Iowa Professional Corporation Act".
- 6 Sec. 2. Policy. This Act shall be construed and applied
- 7 so as to carry out its purpose of making available to profes-
- 8 sional persons the benefits of incorporation, while preserving
- 9 the established professional aspects of the personal relation-
- 10 ship between the professional person and those he serves.
- 11 Sec. 3. Definitions. As used in this Act, unless the con-
- 12 text otherwise requires, the definitions contained in the Iowa
- 13 Business Corporation Act apply, and:
- 14 1. "Profession" means the profession of accountancy, ar-
- 15 chitecture, chiropractic, dentistry, professional engineering,
- 16 land surveying, law, medicine, surgery, optometry, osteopathy,
- 17 osteopathic medicine and surgery, podiatry, or veterinary
- 18 medicine.
- 19 2. "Professional corporation" means a corporation subject
- 20 to this Act, except a foreign professional corporation.

1 3. "Foreign professional corporation" means a corporation  
2 organized under laws other than the laws of this state for a  
3 purpose for which a professional corporation may be organized  
4 under this Act.

5 4. "Licensed" includes registered, certified, admitted to  
6 practice, or otherwise legally authorized under the laws of  
7 this state.

8 5. "Regulating board" means any board, commission, court,  
9 or governmental authority which, under the laws of this state,  
10 is charged with the licensing, registration, certification,  
11 admission to practice, or other legal authorization of the  
12 practitioners of any profession.

13 6. "Voluntary transfer" includes any sale, voluntary as-  
14 signment, gift, pledge, or encumbrance; any voluntary change  
15 of legal or equitable ownership or beneficial interest; or  
16 any voluntary change of persons having voting rights with  
17 respect to any shares, except as proxies; but does not in-  
18 clude any transfer of an individual's shares or other property  
19 to a guardian or conservator appointed for such individual or  
20 his property.

21 7. "Employees" or "agents" does not include clerks, ste-  
22 nographers, secretaries, bookkeepers, technicians, or other  
23 persons who are not usually and ordinarily considered by cus-  
24 tom and practice to be practicing a profession, nor any other  
25 person who performs all his duties for the professional cor-  
26 poration under the direct supervision and control of one or  
27 more officers, employees, or agents of the professional cor-  
28 poration who are duly licensed in this state to practice a  
29 profession which the corporation is authorized to practice  
30 in this state. This Act shall not be construed to require  
31 any such persons to be licensed to practice a profession if  
32 they are not required to be licensed under any other law of  
33 this state.

34 Sec. 4. Applicability of Iowa Business Corporation Act.  
35 The Iowa Business Corporation Act shall be construed as part

1 of this Act and shall apply to professional corporations,  
2 including, but not limited to, their organization, reports,  
3 fees, authority, powers, rights, and the regulation and con-  
4 duct of their affairs. The provisions of the Iowa Business  
5 Corporation Act on foreign corporations shall apply to foreign  
6 professional corporations. The provisions of this Act shall  
7 prevail over any inconsistent provisions of the Iowa Business  
8 Corporation Act or any other law.

9     Sec. 5. Purposes and powers. A professional corporation  
10 shall be organized only for the purpose of engaging in the  
11 practice of one specific profession, or two or more specific  
12 professions which could lawfully be practiced in combination  
13 by a licensed individual or a partnership of licensed individ-  
14 uals, and for the additional purpose of doing all lawful things  
15 which may be incidental to or necessary or convenient in con-  
16 nection with the practice of the profession or professions.  
17 The articles of incorporation shall state in substance that  
18 the purpose for which the corporation is organized are to  
19 engage in the general practice of a specified profession or  
20 professions, or one or more specified branches or divisions  
21 thereof, and to do all lawful things which may be incidental  
22 to or necessary or convenient in connection with the practice  
23 of the profession or professions. Each professional corpora-  
24 tion, unless otherwise provided in its articles of incorpora-  
25 tion or unless expressly prohibited by this Act, shall have  
26 all powers granted to corporations by the Iowa Business Cor-  
27 poration Act.

28     Sec. 6. Corporate name. The corporate name of a profes-  
29 sional corporation, the corporate name of a foreign profes-  
30 sional corporation or its name as modified for use in this  
31 state, and any assumed name or trade name adopted by a pro-  
32 fessional corporation or foreign professional corporation  
33 shall contain the word or words "professional corporation",  
34 "corporation", "incorporated", or "limited", or shall contain  
35 the abbreviation "Corp.", "Inc." or "Ltd.", and except for

1 the addition of such word or abbreviation, shall be a name  
2 which could lawfully be used by a licensed individual or by  
3 a partnership of licensed individuals in the practice in this  
4 state of a profession which the corporation is authorized to  
5 practice. Each regulating board may by rule or regulation  
6 adopt additional requirements as to the corporate names and  
7 assumed or trade names of professional corporations and  
8 foreign professional corporations which are authorized to  
9 practice a profession which is within the jurisdiction of  
10 the regulating board.

11 Sec. 7. Who may incorporate. One or more individuals hav-  
12 ing capacity to contract, each of whom is licensed to practice  
13 in this state a profession which the professional corporation  
14 is to be authorized to practice, may act as incorporators of  
15 a professional corporation.

16 Sec. 8. Practice by professional corporation. Notwith-  
17 standing any other statute or rule of law, a professional  
18 corporation may practice a profession, but may do so in this  
19 state only through shareholders, directors, officers, employees,  
20 and agents who are licensed to practice the same profession  
21 in this state.

22 In its practice of a profession, no professional corpora-  
23 tion shall do any act which could not lawfully be done by  
24 individuals licensed to practice the profession which the  
25 professional corporation is authorized to practice.

26 Sec. 9. Professional regulation. No professional corpora-  
27 tion shall be required to register with or to obtain any  
28 license, registration, certificate, or other legal authoriza-  
29 tion from any regulating board in order to practice a profes-  
30 sion. Except as provided in this section, nothing in this  
31 Act shall restrict or limit in any manner the authority or  
32 duties of any regulating board with respect to individuals  
33 practicing any profession which is within the jurisdiction of  
34 the regulating board, even if the individual is a shareholder,  
35 director, officer, employee, or agent of a professional cor-

1 poration or foreign professional corporation and practices  
2 his profession through such corporation.

3 Sec. 10. Relationship and liability to persons served.

4 This Act does not modify any law applicable to the relation-  
5 ship between an individual practicing a profession and a per-  
6 son receiving professional services, including, but not limited  
7 to, any liability arising out of such practice and any law  
8 respecting privileged communications.

9 This Act does not modify or affect the ethical standards  
10 or standards of conduct of any profession, including, but not  
11 limited to, any standards prohibiting or limiting the practice  
12 of the profession by a corporation or prohibiting or limiting  
13 the practice of two or more professions in combination. All  
14 such standards shall apply to the shareholders, directors, of-  
15 ficers, employees, and agents through whom a professional cor-  
16 poration practices any profession in this state, to the same  
17 extent that the standards apply to an individual practitioner.

18 Unless otherwise provided in the articles or incorporation,  
19 the liability of the shareholders of a professional corpora-  
20 tion, as shareholders, shall be limited in the same manner and  
21 to the same extent as in the case of a corporation organized  
22 under the Iowa Business Corporation Act.

23 Sec. 11. Issuance of shares. Shares of a professional cor-  
24 poration may be issued, and treasury shares may be disposed of,  
25 only to individuals who are licensed to practice in this state  
26 a profession which the corporation is authorized to practice.

27 Unless otherwise provided in the articles of incorporation  
28 or bylaws, the affirmative vote or consent in writing of all  
29 of the outstanding shareholders entitled to vote, or such les-  
30 ser proportion as may be provided in the articles or bylaws,  
31 is necessary in order to authorize the issuance of any shares  
32 or the disposal of any treasury shares, and to fix the consid-  
33 eration for shares or treasury shares.

34 No shares of a professional corporation shall at any time be  
35 issued in, transferred into, or held in joint tenancy, tenancy

1 in common, or any other form of joint ownership or co-ownership.

2 Sec. 12. Transfer of shares. No shareholder or other per-  
3 son shall make any voluntary transfer of any shares in a pro-  
4 fessional corporation to any person, except to the professional  
5 corporation or to an individual who is licensed to practice  
6 in this state a profession which the corporation is authorized  
7 to practice.

8 Unless otherwise provided in the articles of incorporation  
9 or bylaws, the affirmative vote or consent in writing of all  
10 of the outstanding shareholders entitled to vote, or such les-  
11 ser proportion as may be provided in the articles or bylaws,  
12 is necessary in order to authorize any voluntary transfer of  
13 any shares of a professional corporation.

14 The articles of incorporation or bylaws may contain any  
15 additional provisions restricting the transfer of shares.

16 Sec. 13. Convertible securities; stock rights and options.  
17 No professional corporation shall create or issue any securities  
18 convertible into shares of the professional corporation. The  
19 provisions of this Act with respect to the issuance and trans-  
20 fer of shares and disposal of treasury shares apply to the  
21 creation, issuance, and transfer of any rights or options en-  
22 titling the holder to purchase from a professional corporation  
23 any shares of the corporation, including treasury shares.  
24 Rights or options shall not be transferable, whether voluntar-  
25 ily, involuntarily, by operation of law, or in any other manner.  
26 Upon the death of the holder, or whenever the holder ceases to  
27 be licensed to practice in this state a profession which the  
28 corporation is authorized to practice, the rights or options  
29 shall expire.

30 Sec. 14. Voting trust; proxy. No shareholder of a profes-  
31 sional corporation shall create or enter into a voting trust  
32 or any other agreement conferring upon any other person the  
33 right to vote or otherwise represent any shares of a profes-  
34 sional corporation, and no such voting trust or agreement is  
35 valid or effective. Any proxy of a shareholder of a profes-

1 sional corporation shall be an individual licensed to practice  
2 in this state a profession which the corporation is authorized  
3 to practice. Any provision in any proxy instrument denying  
4 the right of the shareholder to revoke the proxy at any time  
5 or for any period of time is not valid or effective. This  
6 section does not otherwise limit the right of a shareholder  
7 to vote by proxy, but the articles of incorporation or bylaws  
8 may further limit or deny the right to vote by proxy.

9 Sec. 15. Required purchase by professional corporation  
10 of its own shares. Notwithstanding any other statute or rule  
11 of law, a professional corporation shall purchase its own  
12 shares as provided in this section; and the shareholders of  
13 a professional corporation and their executors, administra-  
14 tors, legal representatives, and successors in interest, shall  
15 sell and transfer the shares held by them as provided in this  
16 section.

17 Upon the death of a shareholder, the professional corpor-  
18 ation shall immediately purchase all shares held by the de-  
19 ceased shareholder.

20 In order to remain a shareholder of a professional corpor-  
21 ation, a shareholder shall at all times be licensed to practice  
22 in this state a profession which the corporation is authorized  
23 to practice. Whenever any shareholder does not have or ceases  
24 to have this qualification, the corporation shall immediately  
25 purchase all shares held by that shareholder.

26 Whenever any person other than the shareholder of record be-  
27 comes entitled to have shares of the corporation transferred  
28 into his name or to exercise voting rights (except as a proxy)  
29 with respect to shares of the corporation, the corporation  
30 shall immediately purchase such shares. Without limiting the  
31 generality of the foregoing, this section shall be applicable  
32 whether the event occurs as a result of the appointment of a  
33 guardian or conservator for a shareholder or his property,  
34 transfer of shares by operation of law, involuntary transfer  
35 of shares, judicial proceedings, execution, levy, bankruptcy

1 proceedings, receivership proceedings, foreclosure or enforce-  
2 ment of a pledge or encumbrance, or any other situation or oc-  
3 currence. However, this section does not apply to any voluntary  
4 transfer of shares as defined in this Act.

5 Shares purchased by the corporation under the provisions  
6 of this section shall be transferred to the corporation as of  
7 the close of business on the date of the death or other event  
8 which requires purchase. The shareholder and his executors,  
9 administrators, legal representatives, or successors in inter-  
10 est, shall promptly do all things which may be necessary or  
11 convenient to cause transfer to be made as of the transfer  
12 date. However, the shares shall promptly be transferred on  
13 the stock transfer books of the corporation as of the trans-  
14 fer date, notwithstanding any delay in transferring or sur-  
15 rendering the shares or certificates representing the shares,  
16 and the transfer shall be valid and effective for all purposes  
17 as of the close of business on the transfer date. The pur-  
18 chase price for such shares shall be paid as provided in this  
19 Act, but the transfer of shares to the corporation as provided  
20 in this section shall not be delayed or affected by any delay  
21 or default in making payment.

22 Notwithstanding the foregoing provisions of this section,  
23 purchase by the corporation is not required upon the occurrence  
24 of any event other than death of a shareholder, if the corpor-  
25 ation is dissolved within sixty days after the occurrence of  
26 the event. The articles of incorporation or bylaws may provide  
27 that purchase is not required upon the death of a shareholder,  
28 if the corporation is dissolved within sixty days after the  
29 death.

30 Unless otherwise provided in the articles of incorporation  
31 or bylaws or in an agreement among all shareholders of the  
32 professional corporation:

33 1. The purchase price for shares shall be their book value  
34 as of the end of the month immediately preceding the death or  
35 other event which requires purchase. Book value shall be de-

1 terminated from the books and records of the professional corpor-  
2 ation in accordance with the regular method of accounting used  
3 by the corporation, uniformly and consistently applied. Any  
4 final determination of book value made in good faith by any  
5 independent certified public accountant or firm of certified  
6 public accountants employed by the corporation for the pur-  
7 pose shall be conclusive on all persons.

8 2. The purchase price shall be paid in cash as follows:

9 Upon the death of a shareholder, one-half of the purchase price  
10 shall be paid within ninety days after death, and the balance  
11 shall be paid in five equal annual installments on the first  
12 five anniversaries of the death. Upon the happening of any  
13 other event referred to in this section, one-tenth of the pur-  
14 chase price shall be paid within ninety days after the date  
15 of such event, and the balance shall be paid in nine equal  
16 annual installments on the first nine anniversaries of the  
17 date of the event.

18 3. Interest from the date of death or other event shall  
19 be payable annually on principal payment dates, at the rate  
20 of six percent per annum on the unpaid balance of the purchase  
21 price.

22 4. All persons who are shareholders of the professional  
23 corporation on the date of death or other event, and their  
24 executors, administrators, and legal representatives, shall  
25 be jointly and severally liable for the payment of the pur-  
26 chase price and interest.

27 5. The part of the purchase price remaining unpaid after  
28 the initial payment shall be evidenced by a negotiable promis-  
29 sory note, which shall be executed by the corporation and all  
30 shareholders liable for payment. Any person liable on the  
31 note shall have the right to prepay the note in full or in  
32 part at any time.

33 6. If the person making any payment is not reasonably able  
34 to determine which of two or more persons is entitled to receive  
35 a payment, or if the payment is payable to a person who is un-

1 known, or who is under disability and there is no person  
2 legally competent to receive the payment, or who cannot be  
3 found after the exercise of reasonable diligence by the person  
4 making the payment, it shall be deposited with the treasurer of  
5 state and shall be subject to the provisions of the Iowa Busi-  
6 ness Corporation Act with respect to funds deposited with the  
7 treasurer of state upon the voluntary or involuntary dissolution  
8 of a corporation.

9 7. Notwithstanding the provisions of this section, no part  
10 of the purchase price shall be required to be paid until the  
11 certificates representing such shares have been surrendered  
12 to the corporation. Applicable transfer taxes with respect  
13 to shares may be set off against the purchase price.

14 8. Notwithstanding the provisions of this section, payment  
15 of any part of the purchase price for shares of a deceased  
16 shareholder shall not be required until the executor or admin-  
17 istrator of the deceased shareholder provides any indemnity,  
18 release, or other document from any taxing authority, which  
19 is reasonably necessary to protect the corporation against  
20 liability for estate, inheritance, and death taxes.

21 The articles of incorporation or bylaws or an agreement  
22 among all shareholders of a professional corporation may pro-  
23 vide for a different purchase price, a different method of  
24 determining the purchase price, a different interest rate or  
25 no interest, and other terms, conditions, and schedules of  
26 payment.

27 The articles of incorporation or bylaws or an agreement  
28 among all shareholders of a professional corporation may pro-  
29 vide for the optional or mandatory purchase of its own shares  
30 by the corporation in other situations, subject to any appli-  
31 cable law regarding such purchase.

32 Sec. 16. Certificates representing shares. Each certifi-  
33 cate representing shares of a professional corporation shall  
34 state in substance that the certificate represents shares in  
35 a professional corporation and is not transferable except as

1 expressly provided in the Iowa Professional Corporation Act  
2 and in the articles of incorporation and bylaws of the corpor-  
3 ation.

4 Sec. 17. Management. All directors of a professional cor-  
5 poration and all officers of a professional corporation except  
6 assistant officers, shall at all times be individuals who are  
7 licensed to practice in this state a profession which the cor-  
8 poration is authorized to practice. No person who is not  
9 licensed shall have any authority or duties in the management  
10 or control of the corporation. If any director or any officer  
11 ceases to have this qualification, he shall immediately and  
12 automatically cease to hold the directorship or office.

13 Sec. 18. Bylaws. The initial bylaws of a professional  
14 corporation shall be adopted by its board of directors. The  
15 power to alter, amend, or repeal the bylaws or adopt new by-  
16 laws is reserved to and vested in the shareholders unless  
17 granted to the board of directors by the articles of incor-  
18 poration.

19 Sec. 19. Merger or consolidation. No professional corpor-  
20 ation shall merge or consolidate with any other corporation  
21 except another professional corporation subject to this Act.  
22 Merger or consolidation shall not be permitted unless the  
23 surviving or new corporation is a professional corporation  
24 which complies with all requirements of this Act.

25 Sec. 20. Dissolution or liquidation. Violation of any  
26 provision of this Act by a professional corporation or any  
27 of its shareholders, directors, or officers, shall be cause  
28 for its involuntary dissolution, or liquidation of its assets  
29 and business by the district court, as provided in the Iowa  
30 Business Corporation Act. Upon the death of the last remain-  
31 ing shareholder of a professional corporation, or whenever the  
32 last remaining shareholder is not licensed or ceases to be  
33 licensed to practice in this state a profession which the cor-  
34 poration is authorized to practice, or whenever any person  
35 other than the shareholder of record becomes entitled to have

1 all shares of the last remaining shareholder of the corpora-  
2 tion transferred into his name or to exercise voting rights  
3 (except as a proxy) with respect to such shares, the corpora-  
4 tion shall not practice any profession and it shall be promptly  
5 dissolved. However, if prior to such dissolution all outstand-  
6 ing shares of the corporation are acquired by one or more per-  
7 sons licensed to practice in this state a profession which the  
8 corporation is authorized to practice, the corporation need  
9 not be dissolved and may practice the profession as provided  
10 in this Act.

11 Sec. 21. Foreign professional corporation. A foreign pro-  
12 fessional corporation may practice a profession in this state  
13 if it complies with the provisions of the Iowa Business Cor-  
14 poration Act on foreign corporations and establishes, to the  
15 reasonable satisfaction of the secretary of state, that the  
16 laws under which it is incorporated, together with its arti-  
17 cles of incorporation, contain restrictions substantially  
18 equal to or greater than the restrictions contained in this  
19 Act. The secretary of state may prescribe forms for such  
20 purpose.

21 A foreign professional corporation may practice a profes-  
22 sion in this state only through shareholders, directors, of-  
23 ficers, employees, and agents who are licensed to practice  
24 the profession in this state. The provisions of this Act  
25 with respect to the practice of a profession by a professional  
26 corporation apply to a foreign professional corporation.

27 The certificate of authority of a foreign professional  
28 corporation may be revoked by the secretary of state as pro-  
29 vided in the Iowa Business Corporation Act, if the foreign  
30 professional corporation fails to comply with any provision  
31 of this Act.

32 This Act shall not be construed to prohibit the practice  
33 of a profession in this state by an individual who is a  
34 shareholder, director, officer, employee, or agent of a  
35 foreign professional corporation, if the individual could

1 lawfully practice the profession in this state in the absence  
2 of any relationship to a foreign professional corporation.  
3 The preceding sentence shall apply regardless of whether or  
4 not the foreign professional corporation is authorized to  
5 practice a profession in this state.

6 Sec. 22. Annual report. Each annual report of a profes-  
7 sional corporation or foreign professional corporation shall,  
8 in addition to the information required by the Iowa Business  
9 Corporation Act, set forth:

10 1. The name and address of each shareholder.

11 2. In the case of a professional corporation, a statement  
12 under oath whether or not all shareholders, directors, and of-  
13 ficers, except assistant officers, of the corporation are  
14 licensed to practice in this state a profession which the cor-  
15 poration is authorized to practice, and whether or not all  
16 employees and agents of the corporation who practice a profes-  
17 sion in this state on behalf of the corporation are licensed  
18 to practice the profession in this state.

19 3. In the case of a foreign professional corporation, a  
20 statement under oath whether or not all shareholders, directors,  
21 officers, employees, and agents who practice a profession in  
22 this state on behalf of the corporation are licensed to prac-  
23 tice the profession in this state.

24 4. Additional information necessary or appropriate to en-  
25 able the secretary of state or regulating board to determine  
26 whether the professional corporation or foreign professional  
27 corporation is complying with this Act.

28 Information shall be set forth on forms prescribed and  
29 furnished by the secretatry of state.

30 Duplicate originals of each annual report of a professional  
31 corporation or foreign professional corporation shall be de-  
32 livered to the secretary of state for filing, and the secretary  
33 of state shall promptly deliver one of the duplicate originals  
34 to the regulating board having jurisdiction of the profession  
35 or professions which the corporation is authorized to practice.

1 Sec. 23. Corporations organized under other laws. This  
2 Act shall not apply to or interfere with the practice of any  
3 profession by or through any corporation now or hereafter or-  
4 ganized under any other law of this state or any other state  
5 or country, if such practice is lawful under any other statute  
6 or rule of law of this state.

7 Any corporation subject to the provisions of the Iowa Busi-  
8 ness Corporation Act may voluntarily elect to adopt this Act  
9 and become subject to its provisions, by amending its articles  
10 of incorporation to be consistent with all provisions of this  
11 Act and by stating in its amended articles of incorporation  
12 that the corporation has voluntarily elected to adopt this  
13 Act.

14 Any corporation organized under any law of any other state  
15 or country may become subject to the provisions of this Act  
16 by complying with all provisions of this Act with respect  
17 to foreign professional corporations.

18 Sec. 24. Section one hundred sixteen point sixteen (116.16),  
19 Code 1966, is hereby repealed.

#### EXPLANATION OF SENATE FILE 554

This bill permits licensed practitioners to practice certain professions through a professional corporation. All incorporators, shareholders, directors, and significant officers must be licensed in Iowa or admitted to practice the profession which the corporation is to practice.

This bill does not affect a professional person's liability to clients or his duties as to privileged communications, nor the ethical standards of any profession.

Persons practicing through a professional corporation remain subject to state laws and state regulatory boards.

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#### FISCAL NOTE

#### SENATE FILE 554

Date prepared March 28, 1969

Requested by Senator David M. Stanley.

Prepared in regard to Senate File 544, an act relating to professional corporations and foreign professional corporations.

Following is the fiscal effect in dollars of the legislative proposal as required by Rule 47: Fiscal note not required.

GERRY D. RANKIN  
Legislative Fiscal Director

1 Amend Senate File 554 as follows:

2 1. By inserting on page 1 after line 10 the following:

3 "This Act constitutes a limited and special exception to the  
4 salutary common law principle which prohibits a corporation  
5 from rendering professional services, and it shall not be con-  
6 strued as an indication of legislative intent that the principle  
7 is unsound or that further exceptions should be made with re-  
8 spect to it."

9 2. By inserting on page 1, line 14, after the word "of"  
10 the words "certified public".

11 3. By striking from page 1, line 16, the comma after the  
12 word "medicine" and by inserting in lieu thereof the word "and".

13 4. By striking from page 3, lines 33, 34 and 35, and in-  
14 serting in lieu thereof the words "shall contain the words 'pro-  
15 fessional corporation' or the abbreviation 'P.C.', and except  
16 for".

17 5. By striking from page 4, line 1, the word "word" and  
18 inserting in lieu thereof the word "words".

19 6. By adding on page 6 after line 1 thereof a new para-  
20 graph as follows:

21 "The Iowa securities law shall not be applicable to nor  
22 govern any transaction relating to any shares of a professional  
23 corporation."

24 7. By inserting on page 7 after line 16 the following:

25 "The corporation may validly purchase its own shares even  
26 though its net assets are less than its stated capital, or even  
27 though by so doing its net assets would be reduced below its  
28 stated capital."

29 8. By inserting on page 9, line 3, after the period the  
30 following:

31 "Adjustments to book value shall be made, if necessary, to take  
32 into account work in process and accounts receivable."

33 9. By striking from page 9, line 9, the word "one-half"  
34 and inserting in lieu thereof the words "thirty percent".

35 10. By striking from page 9, line 11, the word "five" and  
36 inserting in lieu thereof the word "three".

37 11. By striking from page 9, line 12, the word "five" and  
38 inserting in lieu thereof the word "three".

39 12. By striking from page 9, line 15, the word "nine" and  
40 inserting in lieu thereof the word "three".

41 13. By striking from page 9, line 16, the word "nine" and  
42 inserting in lieu thereof the word "three".

43 14. By striking from page 9, lines 25 and 26, and inserting  
44 in lieu thereof the following:

45 " , to the extent the corporation fails to meet its obligations  
46 hereunder, be jointly liable for the payment of the purchase  
47 price and interest in proportion to their percentage of ownership  
48 of the corporation's shares, disregarding shares of the deceased  
49 or withdrawing shareholder."

50 15. By striking from page 10, line 12, the words "applicable  
51 transfer taxes with respect".

52 16. By striking from page 10, line 13.

*Adopted  
as amended  
2-2*

*Adopted  
2-2-70*

*Adopted  
2-2*

*Adopted  
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*Adopted  
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*Adopted  
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- 53 17. By striking from page 12, line 14, the words "and estab-
- 54 lishes, to the" and inserting in lieu thereof a period.
- 55 18. By striking from page 12, lines 15 through 18, in-
- 56 clusive.
- 57 19. By striking from page 12, line 19, the word "act."
- 58 20. By adding on page 13 after line 35 the following
- 59 "The provisions of the Iowa Business Corporation Act relating
- 60 to annual license fee shall apply to professional corporations."
- 61 21. By striking from page 14, line 3, the words "now or".

Filed - *Adopted 2-2*  
January 27, 1970

By COMMITTEE ON COMMERCE

FISCAL NOTE

Date prepared February 2, 1970

Requested by Senator Messerly.

Prepared in regard to Senate File 554, a bill for an act relating to professional corporations.

Following is the fiscal effect in dollars of the legislative proposal as required by Rule 31:

This fiscal note is to replace one issued March 28, 1969.

Since the First Session of the Sixty-third General Assembly ended we have gathered a file of information concerning professional corporations. Our fiscal note must be written in general terms because the Department of Revenue does not have available the specific figures on professional taxable incomes in Iowa.

The source for the following information comes from Medical Economics October 27, 1969, in an article entitled "The Benefits of Incorporation a Case History."

The article points out some of the advantages of incorporation as being (1) A reduction of current tax bills, (2) special tax breaks at death or retirement, and (3) easier for a professional man to get in and out of the practice.

It is apparent that because of a lower taxable income, the State Income Tax paid by the members of a professional corporation would be reduced by ten to twenty percent.

GERRY D. RANKIN  
Legislative Fiscal Director

- 1 Amend the committee on commerce amendment to Senate File
- 2 554, filed January 27, 1970, found on pages 256 and 257 of
- 3 the Senate Journal, by striking lines 2 through 8, inclusive,
- 4 and inserting in lieu thereof a new division as follows:
- 5 "1. Page 1, by striking lines 6 through 10, inclusive,
- 6 and by renumbering the succeeding sections."

Filed and Adopted  
February 2, 1970

By RIGLER

- 1 Amend Senate File 554 as follows:
- 2 1. Page 7, line 28, by striking the parentheses and
- 3 inserting commas in lieu thereof.
- 4 2. Page 12, line 3, by striking the parentheses and
- 5 inserting commas in lieu thereof.

*Adopted  
2-2*

Filed - *Adopted 2-2*  
January 29, 1970

By GRIFFIN

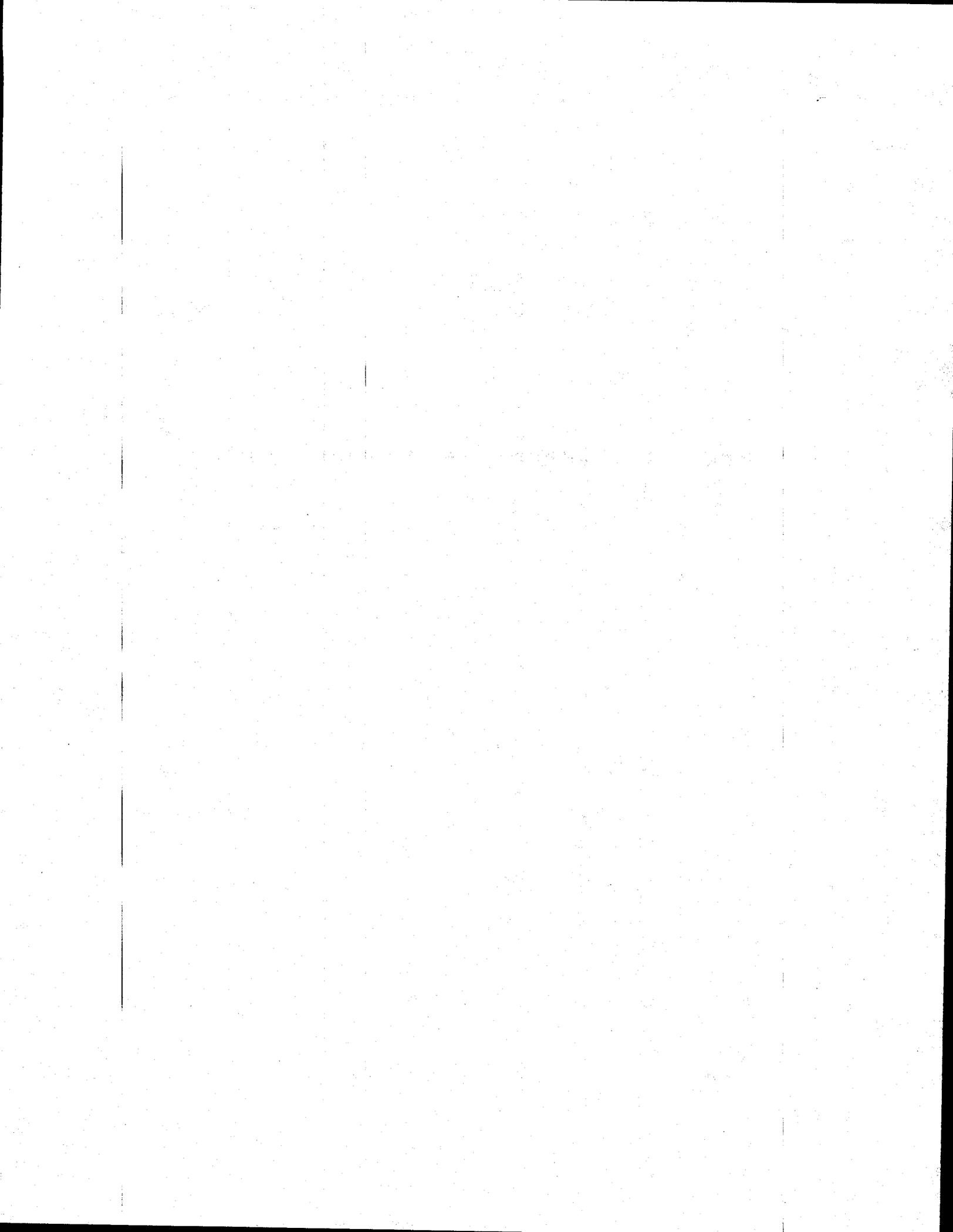
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- 1 Amend Senate File 554 as follows:
- 2 1. By inserting after the word "podiatry,"
- 3 in line 17 the words "nurses, teachers".

Filed and lost  
February 2, 1970

By HILL

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February 2, 1970

SENATE FILE 554

By STANLEY, WALSH, CLARKE, MOWRY,  
BENDA, LAMBORN, BALLOUN, DENMAN,  
DeKOSTER, NEU, CONKLIN, and  
SHIRLEY  
(AS PASSED BY THE SENATE)

Passed Senate, Date.....2-2-70..... Passed House, Date.....2-18-70.....  
Vote: Ayes .....50..... Nays .....3..... Vote: Ayes .....107..... Nays .....3.....  
Approved .....3-4-70.....

## A BILL FOR

1 An Act relating to professional corporations and foreign pro-  
2 fessional corporations.

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

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

6 Sec. 2. Definitions. As used in this Act, unless the con-  
7 text otherwise requires, the definitions contained in the Iowa  
8 Business Corporation Act apply, and:

9 1. "Profession" means the profession of *certified public*  
10 accountancy, architecture, chiropractic, dentistry, professional  
11 land surveying, law, medicine *and* surgery, optometry, osteopathy,  
12 osteopathic medicine and surgery, podiatry, or veterinary  
13 medicine.

14 2. "Professional corporation" means a corporation subject  
15 to this Act, except a foreign professional corporation.

16 3. "Foreign professional corporation" means a corporation  
17 organized under laws other than the laws of this state for a  
18 purpose for which a professional corporation may be organized  
19 under this Act.

20 4. "Licensed" includes registered, certified, admitted to

1 practice, or otherwise legally authorized under the laws of  
2 this state.

3 5. "Regulating board" means any board, commission, court,  
4 or governmental authority which, under the laws of this state,  
5 is charged with the licensing, registration, certification,  
6 admission to practice, or other legal authorization of the  
7 practitioners of any profession.

8 6. "Voluntary transfer" includes any sale, voluntary as-  
9 signment, gift, pledge, or encumbrance; any voluntary change  
10 of legal or equitable ownership or beneficial interest; or  
11 any voluntary change of persons having voting rights with  
12 respect to any shares, except as proxies; but does not in-  
13 clude any transfer of an individual's shares or other property  
14 to a guardian or conservator appointed for such individual or  
15 his property.

16 7. "Employees" or "agents" does not include clerks, ste-  
17 nographers, secretaries, bookkeepers, technicians, or other  
18 persons who are not usually and ordinarily considered by cus-  
19 tom and practice to be practicing a profession, nor any other  
20 person who performs all his duties for the professional cor-  
21 poration under the direct supervision and control of one or  
22 more officers, employees, or agents of the professional cor-  
23 poration who are duly licensed in this state to practice a  
24 a profession which the corporation is authorized to practice  
25 in this state. This Act shall not be construed to require  
26 any such persons to be licensed to practice a profession if  
27 they are not required to be licensed under any other law of  
28 this state.

29 Sec. 3. Applicability of Iowa Business Corporation Act.  
30 The Iowa Business Corporation Act shall be construed as part  
31 of this Act and shall apply to professional corporations,  
32 including, but not limited to, their organization, reports,  
33 fees, authority, powers, rights, and the regulation and con-  
34 duct of their affairs. The provisions of the Iowa Business  
35 Corporation Act on foreign corporations shall apply to foreign

1 professional corporations. The provisions of this Act shall  
2 prevail over any inconsistent provisions of the Iowa Business  
3 Corporation Act or any other law.

4 Sec. 4. Purposes and powers. A professional corporation  
5 shall be organized only for the purpose of engaging in the  
6 practice of one specific profession, or two or more specific  
7 professions which could lawfully be practiced in combination  
8 by a licensed individual or a partnership of licensed individ-  
9 uals, and for the additional purpose of doing all lawful things  
10 which may be incidental to or necessary or convenient in con-  
11 nection with the practice of the profession or professions.  
12 The articles of incorporation shall state in substance that  
13 the purposes for which the corporation is organized are to  
14 engage in the general practice of a specified profession or  
15 professions, or one or more specified branches or divisions  
16 thereof, and to do all lawful things which may be incidental  
17 to or necessary or convenient in connection with the practice  
18 of the profession or professions. Each professional corpora-  
19 tion, unless otherwise provided in its articles of incorpora-  
20 tion or unless expressly prohibited by this Act, shall have  
21 all powers granted to corporations by the Iowa Business Cor-  
22 poration Act.

23 Sec. 5. Corporate name. The corporate name of a profes-  
24 sional corporation, the corporate name of a foreign profes-  
25 sional corporation or its name as modified for use in this  
26 state, and any assumed name or trade name adopted by a pro-  
27 fessional corporation or foreign professional corporation  
28 shall contain the words "professional corporation" or the  
29 abbreviation "P.C.", and except for  
30 the addition of such words or abbreviation, shall be a name  
31 which could lawfully be used by a licensed individual or by  
32 a partnership of licensed individuals in the practice in this  
33 state of a profession which the corporation is authorized to  
34 practice. Each regulating board may by rule or regulation  
35 adopt additional requirements as to the corporate names and

1 assumed or trade names of professional corporations and  
2 foreign professional corporations which are authorized to  
3 practice a profession which is within the jurisdiction of  
4 the regulating board.

5 Sec. 6. Who may incorporate. One or more individuals hav-  
6 ing capacity to contract, each of whom is licensed to practice  
7 in this state a profession which the professional corporation  
8 is to be authorized to practice, may act as incorporators of  
9 a professional corporation.

10 Sec. 7. Practice by professional corporation. Notwith-  
11 standing any other statute or rule of law, a professional  
12 corporation may practice a profession, but may do so in this  
13 state only through shareholders, directors, officers, employees,  
14 and agents who are licensed to practice the same profession  
15 in this state.

16 In its practice of a profession, no professional corpora-  
17 tion shall do any act which could not lawfully be done by  
18 individuals licensed to practice the profession which the  
19 professional corporation is authorized to practice.

20 Sec. 8. Professional regulation. No professional corpor-  
21 ation shall be required to register with or to obtain any  
22 license, registration, certificate, or other legal authoriza-  
23 tion from any regulating board in order to practice a profes-  
24 sion. Except as provided in this section, nothing in this  
25 Act shall restrict or limit in any manner the authority or  
26 duties of any regulating board with respect to individuals  
27 practicing any profession which is within the jurisdiction of  
28 the regulating board, even if the individual is a shareholder,  
29 director, officer, employee, or agent of a professional cor-  
30 poration or foreign professional corporation and practices  
31 his profession through such corporation.

32 Sec. 9. Relationship and liability to persons served.  
33 This Act does not modify any law applicable to the relation-  
34 ship between an individual practicing a profession and a per-  
35 son receiving professional services, including, but not limited

1 to, any liability arising out of such practice and any law  
2 respecting privileged communications.

3 This Act does not modify or affect the ethical standards  
4 or standards of conduct of any profession, including, but not  
5 limited to, any standards prohibiting or limiting the practice  
6 of the profession by a corporation or prohibiting or limiting  
7 the practice of two or more professions in combination. All  
8 such standards shall apply to the shareholders, directors, of-  
9 ficers, employees, and agents through whom a professional cor-  
10 poration practices any profession in this state, to the same  
11 extent that the standards apply to an individual practitioner.

12 Unless otherwise provided in the articles of incorporation,  
13 the liability of the shareholders of a professional corpora-  
14 tion, as shareholders, shall be limited in the same manner and  
15 to the same extent as in the case of a corporation organized  
16 under the Iowa Business Corporation Act.

17 Sec. 10. Issuance of shares. Shares of a professional cor-  
18 poration may be issued, and treasury shares may be disposed of,  
19 only to individuals who are licensed to practice in this state  
20 a profession which the corporation is authorized to practice.

21 Unless otherwise provided in the articles of incorporation  
22 or bylaws, the affirmative vote or consent in writing of all  
23 of the outstanding shareholders entitled to vote, or such les-  
24 ser proportion as may be provided in the articles or bylaws,  
25 is necessary in order to authorize the issuance of any shares  
26 or the disposal of any treasury shares, and to fix the consid-  
27 eration for shares or treasury shares.

28 No shares of a professional corporation shall at any time be  
29 issued in, transferred into, or held in joint tenancy, tenancy  
30 in common, or any other form of joint ownership or co-ownership.

31 *The Iowa securities law shall not be applicable to nor*  
32 *govern any transaction relating to any shares of a professional*  
33 *corporation.*

34 Sec. 11. Transfer of shares. No shareholder or other per-  
35 son shall make any voluntary transfer of any shares in a pro-

1 fessional corporation to any person, except to the professional  
2 corporation or to any individual who is licensed to practice  
3 in this state a profession which the corporation is authorized  
4 to practice.

5 Unless otherwise provided in the articles of incorporation  
6 or bylaws, the affirmative vote or consent in writing of all  
7 of the outstanding shareholders entitled to vote, or such les-  
8 ser proportion as may be provided in the articles or bylaws,  
9 is necessary in order to authorize any voluntary transfer of  
10 any shares of a professional corporation.

11 The articles of incorporation or bylaws may contain any  
12 additional provisions restricting the transfer of shares.

13 Sec. 12. Convertible securities; stock rights and options.

14 No professional corporation shall create or issue any securities  
15 convertible into shares of the professional corporation. The  
16 provisions of this Act with respect to the issuance and trans-  
17 fer of shares and disposal of treasury shares apply to the  
18 creation, issuance, and transfer of any rights or options en-  
19 titling the holder to purchase from a professional corporation  
20 any shares of the corporation, including treasury shares.

21 Rights or options shall not be transferable, whether voluntar-  
22 ily, involuntarily, by operation of law, or in any other manner.

23 Upon the death of the holder, or whenever the holder ceases to  
24 be licensed to practice in this state a profession which the  
25 corporation is authorized to practice, the rights or options  
26 shall expire.

27 Sec. 13. Voting trust; proxy. No shareholder of a profes-  
28 sional corporation shall create or enter into a voting trust  
29 or any other agreement conferring upon any other person the  
30 right to vote or otherwise represent any shares of a profes-  
31 sional corporation, and no such voting trust or agreement is  
32 valid or effective. Any proxy of a shareholder of a profes-  
33 sional corporation shall be an individual licensed to practice  
34 in this state a profession which the corporation is authorized  
35 to practice. Any provision in any proxy instrument denying

1 the right of the shareholder to revoke the proxy at any time  
2 or for any period of time is not valid or effective. This  
3 section does not otherwise limit the right of a shareholder  
4 to vote by proxy, but the articles of incorporation or bylaws  
5 may further limit or deny the right to vote by proxy.

6 Sec. 14. Required purchase by professional corporation  
7 of its own shares. Notwithstanding any other statute or rule  
8 of law, a professional corporation shall purchase its own  
9 shares as provided in this section; and the shareholders of  
10 a professional corporation and their executors, administra-  
11 tors, legal representatives, and successors in interest, shall  
12 sell and transfer the shares held by them as provided in this  
13 section.

14 *The corporation may validly purchase its own shares even*  
15 *though its net assets are less than its stated capital, or even*  
16 *though by so doing its net assets would be reduced below its*  
17 *stated capital.*

18 Upon the death of a shareholder, the professional corpor-  
19 ation shall immediately purchase all shares held by the de-  
20 ceased shareholder.

21 In order to remain a shareholder of a professional corpor-  
22 ation, a shareholder shall at all times be licensed to practice  
23 in this state a profession which the corporation is authorized  
24 to practice. Whenever any shareholder does not have or ceases  
25 to have this qualification, the corporation shall immediately  
26 purchase all shares held by that shareholder.

27 Whenever any person other than the shareholder of record be-  
28 comes entitled to have shares of the corporation transferred  
29 into his name or to exercise voting rights, except as a proxy,  
30 with respect to shares of the corporation, the corporation  
31 shall immediately purchase such shares. Without limiting the  
32 generality of the foregoing, this section shall be applicable  
33 whether the event occurs as a result of the appointment of a  
34 guardian or conservator for a shareholder or his property,  
35 transfer of shares by operation of law, involuntary transfer

1 of shares, judicial proceedings, execution, levy, bankruptcy  
2 proceedings, receivership proceedings, foreclosure or enforce-  
3 ment of a pledge or encumbrance, or any other situation or oc-  
4 currence. However, this section does not apply to any voluntary  
5 transfer of shares as defined in this Act.

6 Shares purchased by the corporation under the provisions  
7 of this section shall be transferred to the corporation as of  
8 the close of business on the date of the death or other event  
9 which requires purchase. The shareholder and his executors,  
10 administrators, legal representatives, or successors in inter-  
11 est, shall promptly do all things which may be necessary or  
12 convenient to cause transfer to be made as of the transfer  
13 date. However, the shares shall promptly be transferred on  
14 the stock transfer books of the corporation as of the trans-  
15 fer date, notwithstanding any delay in transferring or sur-  
16 rendering the shares or certificates representing the shares,  
17 and the transfer shall be valid and effective for all purposes  
18 as of the close of business on the transfer date. The pur-  
19 chase price for such shares shall be paid as provided in this  
20 Act, but the transfer of shares to the corporation as provided  
21 in this section shall not be delayed or affected by any delay  
22 or default in making payment.

23 Notwithstanding the foregoing provisions of this section,  
24 purchase by the corporation is not required upon the occurrence  
25 of any event other than death of a shareholder, if the corpor-  
26 ation is dissolved within sixty days after the occurrence of  
27 the event. The articles of incorporation or bylaws may provide  
28 that purchase is not required upon the death of a shareholder,  
29 if the corporation is dissolved within sixty days after the  
30 death.

31 Unless otherwise provided in the articles of incorporation  
32 or bylaws or in an agreement among all shareholders of the  
33 professional corporation:

34 1. The purchase price for shares shall be their book value  
35 as of the end of the month immediately preceding the death or

1 other event which requires purchase. Book value shall be de-  
2 terminated from the books and records of the professional corpor-  
3 ation in accordance with the regular method of accounting used  
4 by the corporation, uniformly and consistently applied. *Ad-*  
5 *justments to book value shall be made, if necessary, to take*  
6 *into account work in process and accounts receivable.* Any  
7 final determination of book value made in good faith by any  
8 independent certified public accountant or firm of certified  
9 public accountants employed by the corporation for the pur-  
10 pose shall be conclusive on all persons.

11 2. The purchase price shall be paid in cash as follows:

12 Upon the death of a shareholder, *thirty percent* of the purchase price  
13 shall be paid within ninety days after death, and the balance  
14 shall be paid in *three* equal annual installments on the first  
15 *three* anniversaries of the death. Upon the happening of any  
16 other event referred to in this section, one-tenth of the pur-  
17 chase price shall be paid within ninety days after the date  
18 of such event, and the balance shall be paid in *three* equal  
19 annual installments on the first *three* anniversaries of the  
20 date of the event.

21 3. Interest from the date of death or other event shall  
22 be payable annually on principal payment dates, at the rate  
23 of six percent per annum on the unpaid balance of the purchase  
24 price.

25 4. All persons who are shareholders of the professional  
26 corporation on the date of death or other event, and their  
27 executors, administrators, and legal representatives, shall,  
28 *to the extent the corporation fails to meet its obligations*  
29 *hereunder, be jointly liable for the payment of the purchase*  
30 *price and interest in proportion to their percentage of*  
31 *ownership of the corporation's shares, disregarding shares*  
32 *of the deceased or withdrawing shareholder.*

33 5. The part of the purchase price remaining unpaid after  
34 the initial payment shall be evidenced by a negotiable promis-  
35 sory note, which shall be executed by the corporation and all

1 shareholders liable for payment. Any person liable on the  
2 note shall have the right to prepay the note in full or in  
3 part at any time.

4 6. If the person making any payment is not reasonably able  
5 to determine which of two or more persons is entitled to receive  
6 a payment, or if the payment is payable to a person who is un-  
7 known, or who is under disability and there is no person  
8 legally competent to receive the payment, or who cannot be  
9 found after the exercise of reasonable diligence by the person  
10 making the payment, it shall be deposited with the treasurer of  
11 state and shall be subject to the provisions of the Iowa Busi-  
12 ness Corporation Act with respect to funds deposited with the  
13 treasurer of state upon the voluntary or involuntary dissolution  
14 of a corporation.

15 7. Notwithstanding the provisions of this section, no part  
16 of the purchase price shall be required to be paid until the  
17 certificates representing such shares have been surrendered  
18 to the corporation.

19 8. Notwithstanding the provisions of this section, payment  
20 of any part of the purchase price for shares of a deceased  
21 shareholder shall not be required until the executor or admin-  
22 istrator of the deceased shareholder provides any indemnity,  
23 release, or other document from any taxing authority, which  
24 is reasonably necessary to protect the corporation against  
25 liability for estate, inheritance, and death taxes.

26 The articles of incorporation or bylaws or an agreement  
27 among all shareholders of a professional corporation may pro-  
28 vide for a different purchase price, a different method of  
29 determining the purchase price, a different interest rate or  
30 no interest, and other terms, conditions, and schedules of  
31 payment.

32 The articles of incorporation or bylaws or an agreement  
33 among all shareholders of a professional corporation may pro-  
34 vide for the optional or mandatory purchase of its own shares  
35 by the corporation in other situations, subject to any appli-

1 cable law regarding such purchase.

2 Sec. 15. Certificates representing shares. Each certifi-  
3 cate representing shares of a professional corporation shall  
4 state in substance that the certificate represents shares in  
5 a professional corporation and is not transferable except as  
6 expressly provided in the Iowa Professional Corporation Act  
7 and in the articles of incorporation and bylaws of the corpor-  
8 ation.

9 Sec. 16. Management. All directors of a professional cor-  
10 poration and all officers of a professional corporation except  
11 assistant officers, shall at all times be individuals who are  
12 licensed to practice in this state a profession which the cor-  
13 poration is authorized to practice. No person who is not  
14 licensed shall have any authority or duties in the management  
15 or control of the corporation. If any director or any officer  
16 ceases to have this qualification, he shall immediately and  
17 automatically cease to hold the directorship or office.

18 Sec. 17. Bylaws. The initial bylaws of a professional  
19 corporation shall be adopted by its board of directors. The  
20 power to alter, amend, or repeal the bylaws or adopt new by-  
21 laws is reserved to and vested in the shareholders unless  
22 granted to the board of directors by the articles of incor-  
23 poration.

24 Sec. 18. Merger or consolidation. No professional corpor-  
25 ation shall merge or consolidate with any other corporation  
26 except another professional corporation subject to this Act.  
27 Merger or consolidation shall not be permitted unless the  
28 surviving or new corporation is a professional corporation  
29 which complies with all requirements of this Act.

30 Sec. 19. Dissolution or liquidation. Violation of any  
31 provision of this Act by a professional corporation or any  
32 of its shareholders, directors, or officers, shall be cause  
33 for its involuntary dissolution, or liquidation of its assets  
34 and business by the district court, as provided in the Iowa  
35 Business Corporation Act. Upon the death of the last remain-

1 ing shareholder of a professional corporation, or whenever the  
2 last remaining shareholder is not licensed or ceases to be  
3 licensed to practice in this state a profession which the cor-  
4 poration is authorized to practice, or whenever any person  
5 other than the shareholder of record becomes entitled to have  
6 all shares of the last remaining shareholder of the corpora-  
7 tion transferred into his name or to exercise voting rights,  
8 except as a proxy, with respect to such shares, the corpora-  
9 tion shall not practice any profession and it shall be promptly  
10 dissolved. However, if prior to such dissolution all outstand-  
11 ing shares of the corporation are acquired by one or more per-  
12 sons licensed to practice in this state a profession which the  
13 corporation is authorized to practice, the corporation need  
14 not be dissolved and may practice the profession as provided  
15 in this Act.

16 Sec. 20. Foreign professional corporation. A foreign pro-  
17 fessional corporation may practice a profession in this state  
18 if it complies with the provisions of the Iowa Business Cor-  
19 poration Act on foreign corporations.

20 The secretary of state may prescribe forms for such  
21 purpose.

22 A foreign professional corporation may practice a profes-  
23 sion in this state only through shareholders, directors, of-  
24 ficers, employees, and agents who are licensed to practice  
25 the profession in this state. The provisions of this Act  
26 with respect to the practice of a profession by a professional  
27 corporation apply to a foreign professional corporation.

28 The certificate of authority of a foreign professional  
29 corporation may be revoked by the secretary of state as pro-  
30 vided in the Iowa Business Corporation Act, if the foreign  
31 professional corporation fails to comply with any provision  
32 of this Act.

33 This Act shall not be construed to prohibit the practice  
34 of a profession in this state by an individual who is a

1 shareholder, director, officer, employee, or agent of a  
2 foreign professional corporation, if the individual could  
3 lawfully practice the profession in this state in the absence  
4 of any relationship to a foreign professional corporation.

5 The preceding sentence shall apply regardless of whether or  
6 not the foreign professional corporation is authorized to  
7 practice a profession in this state.

8 Sec. 21. Annual report. Each annual report of a profes-  
9 sional corporation or foreign professional corporation shall,  
10 in addition to the information required by the Iowa Business  
11 Corporation Act, set forth:

12 1. The name and address of each shareholder.

13 2. In the case of a professional corporation, a statement  
14 under oath whether or not all shareholders, directors, and of-  
15 ficers, except assistant officers, of the corporation are  
16 licensed to practice in this state a profession which the cor-  
17 poration is authorized to practice, and whether or not all  
18 employees and agents of the corporation who practice a profes-  
19 sion in this state on behalf of the corporation are licensed  
20 to practice the profession in this state.

21 3. In the case of a foreign professional corporation, a  
22 statement under oath whether or not all shareholders, directors,  
23 officers, employees, and agents who practice a profession in  
24 this state on behalf of the corporation are licensed to prac-  
25 tice the profession in this state.

26 4. Additional information necessary or appropriate to en-  
27 able the secretary of state or regulating board to determine  
28 whether the professional corporation or foreign professional  
29 corporation is complying with this Act.

30 Information shall be set forth on forms prescribed and  
31 furnished by the secretary of state.

32 Duplicate originals of each annual report of a professional  
33 corporation or foreign professional corporation shall be de-  
34 livered to the secretary of state for filing, and the secretary  
35 of state shall promptly deliver one of the duplicate originals

1 to the regulating board having jurisdiction of the profession  
2 or professions which the corporation is authorized to practice.  
3 *The provisions of the Iowa Business Corporation Act relating*  
4 *to annual license fee shall apply to professional corporations.*

5 Sec. 22. Corporations organized under other laws. This  
6 Act shall not apply to or interfere with the practice of any  
7 profession by or through any corporation hereafter or-  
8 ganized under any other law of this state or any other state  
9 or country, if such practice is lawful under any other statute  
10 or rule of law of this state.

11 Any corporation subject to the provisions of the Iowa Busi-  
12 ness Corporation Act may voluntarily elect to adopt this Act  
13 and become subject to its provisions, by amending its articles  
14 of incorporation to be consistent with all provisions of this  
15 Act and by stating in its amended articles of incorporation  
16 that the corporation has voluntarily elected to adopt this  
17 Act.

18 Any corporation organized under any law of any other state  
19 or country may become subject to the provisions of this Act  
20 by complying with all provisions of this Act with respect  
21 to foreign professional corporations.

22 Sec. 23. Section one hundred sixteen point sixteen (116.16),  
23 Code 1966, is hereby repealed.

#### EXPLANATION

This bill permits licensed practitioners to practice certain professions through a professional corporation. All incorporators, shareholders, directors, and significant officers must be licensed in Iowa or admitted to practice the profession which the corporation is to practice.

This bill does not affect a professional person's liability to clients or his duties as to privileged communications, nor the ethical standards of any profession.

Persons practicing through a professional corporation remain subject to state laws and state regulatory boards.