

14A:17-3

**LEGISLATIVE HISTORY CHECKLIST**  
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(Foreign professional legal corporations)

**NJSA:** 14A:17-3

**LAWS OF:** 1995 **CHAPTER:** 375

**BILL NO:** A2578

**SPONSOR(S):** Bateman and Azzolina

**DATE INTRODUCED:** February 23, 1995

**COMMITTEE:** **ASSEMBLY:** Economic Development  
**SENATE:** ---

**AMENDED DURING PASSAGE:** Yes Amendments during passage  
First reprint enacted denoted by superscript numbers

**DATE OF PASSAGE:** **ASSEMBLY:** May 22, 1995  
**SENATE:** December 18, 1995

**DATE OF APPROVAL:** January 5, 1996

**FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:**

**SPONSOR STATEMENT:** Yes

**COMMITTEE STATEMENT:** **ASSEMBLY:** Yes  
**SENATE:** No

**FISCAL NOTE:** No

**VETO MESSAGE:** No

**MESSAGE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

**REPORTS:** Yes

**HEARINGS:** No

Report, mentioned in statements:  
974.90 New Jersey. Supreme Court Committee on Professional Corporations.  
C866 Report...April, 1994.  
1994b Trenton, 1994.

KBP:pp

[FIRST REPRINT]  
ASSEMBLY, No. 2578

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 23, 1995

By Assemblymen BATEMAN and AZZOLINA

1 AN ACT to permit foreign professional legal corporations to  
2 transact business in New Jersey and amending P.L.1969, c.232.

3

4 BE IT ENACTED *by the Senate and General Assembly of the*  
5 *State of New Jersey:*

6 1. Section 3 of P.L.1969, c.232(C.14A:17-3) is amended to read  
7 as follows:

8 3. Terms defined. As used in this act, the following words  
9 shall have the meanings indicated:

10 (1) <sup>1</sup>[The term "professional" "Professional"<sup>1</sup> service" shall  
11 mean any type of personal service to the public which requires as  
12 a condition precedent to the rendering of such service the  
13 obtaining of a license or other legal authorization and which prior  
14 to the passage of this act and by reason of law could not be  
15 performed by a corporation. By way of example and without  
16 limiting the generality thereof, the personal services which come  
17 within the provisions of this act are the personal services  
18 rendered by certified public accountants, architects,  
19 optometrists, professional engineers, land surveyors, land  
20 planners, chiropractors, physical therapists, registered  
21 professional nurses, dentists, osteopaths, physicians and surgeons,  
22 doctors of medicine, doctors of dentistry, podiatrists,  
23 chiropodists, veterinarians and, subject to the Rules of the  
24 Supreme Court, attorneys-at-law;

25 (2) <sup>1</sup>[The term "professional" "Professional"<sup>1</sup> corporation"  
26 means a corporation which is organized under this act for the sole  
27 and specific purpose of rendering the same or closely allied  
28 professional service as its shareholders, each of whom must be  
29 licensed or otherwise legally authorized within this State to  
30 render such professional service;

31 (3) "Closely allied professional service" means and is limited  
32 to the practice of (a) architecture, professional engineering, land  
33 surveying and land planning and (b) any branch of medicine and  
34 surgery, optometry, physical therapy, registered professional  
35 nursing, and dentistry;

36 (4) <sup>1</sup>[The term "domestic" "Domestic"<sup>1</sup> professional legal  
37 corporation" <sup>1</sup>[shall mean] means<sup>1</sup> a professional corporation  
38 incorporated under <sup>1</sup>[the laws of another state] P.L.1969, c.232  
39 (C.14A:17-1 et seq.)<sup>1</sup> for the <sup>1</sup>sole<sup>1</sup> purpose of rendering legal  
40 services of the type provided by attorneys-at-law;

41 (5) <sup>1</sup>[The term "foreign" "Foreign"<sup>1</sup> professional legal  
42 corporation" <sup>1</sup>[shall mean] means<sup>1</sup> a corporation incorporated  
43 under the laws of another state for the purpose of rendering legal  
44 services of the type provided by attorneys-at-law.

45 (cf: P.L.1991, c.105, s.1)

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the  
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript num- rals has been adopted as follows:  
<sup>1</sup> Assembly AEA committee amendments adopted May 8, 1995.

1       2. Section 5 of P.L.1969, c.232 (C.14A:17-5) is amended to  
2 read as follows:

3       5. Professional corporation and foreign professional legal  
4 corporation.

5       (a) One or more persons, each of whom is duly licensed or  
6 otherwise legally authorized to render the same or closely allied  
7 professional service within this State, may organize and become a  
8 shareholder or shareholders of a professional corporation for  
9 pecuniary profit under the provisions of the Business Corporation  
10 Act of New Jersey (Title 14A, Corporations, General, of the New  
11 Jersey Statutes), for the sole and specific purpose of rendering  
12 such professional service.

13       (b) A foreign professional legal corporation may render legal  
14 services of the type provided by attorneys-at-law in this State  
15 provided by that it secures a certificate of authority from the  
16 Secretary of State in accordance with Chapter 13 of the Business  
17 Corporation Act of New Jersey <sup>1</sup>[(N.J.S.A.14A:13-1 through 23)]  
18 (Title 14A, Corporations, General, of the New Jersey Statutes)<sup>1</sup>  
19 and provided further that every shareholder or employee of the  
20 foreign professional legal corporation providing legal services in  
21 this State is an attorney-at-law licensed and eligible to practice  
22 in this State under the Rules of the Supreme Court.

23 (cf: P.L.1981, c.425, s.2)

24       3. Section 7 of P.L.1969, c.232 (C.14A:17-7) is amended to  
25 read as follows:

26       7. Rendering of professional service limited to licensed  
27 personnel; charges authorized.

28       No professional corporation or foreign professional legal  
29 corporation may render professional services in this State except  
30 through its officers, employees and agents who are duly licensed  
31 or otherwise legally authorized to render such professional  
32 services within this State; provided, however, that this provision  
33 shall not be interpreted to include in the term "employee" as  
34 used herein clerks, secretaries, administrators, bookkeepers,  
35 technicians and other assistants who are not usually and  
36 ordinarily considered by law, custom and practice to be rendering  
37 professional service to the public for which a license or other  
38 legal authorization is required in connection with the profession  
39 to be practiced, nor does the term "employee" include any other  
40 person who performs all his employment under the direct  
41 supervision and control of an officer, agent or employee who is  
42 himself rendering professional service to the public on behalf of  
43 the professional corporation; provided, that no person shall, under  
44 the guise of employment, practice a profession unless duly  
45 licensed to practice that profession under the laws of this State.  
46 Notwithstanding any other or contrary provisions of the laws of  
47 the State, a professional corporation or foreign professional legal  
48 corporation may charge for its services, may collect such  
49 charges, and may compensate its officers, employees and agents,  
50 including those persons excluded from the term "employee" as  
51 used herein.

52 (cf: P.L.1991, c.105, s.2)

53       4. Section 8 of P.L.1969, c.232 (C.14A:17-8) is amended to  
54 read as follows:

1 8. Professional relationship; personal liability; corporate  
2 liability. Nothing contained in this act shall be interpreted to  
3 abolish, repeal, modify, restrict or limit the law now in effect in  
4 this State applicable to the professional relationship and the  
5 contract, tort and other legal liabilities between the person  
6 furnishing the professional services and the person receiving such  
7 professional service and to the standards for professional  
8 conduct, including the confidential relationship between the  
9 person rendering the professional services and the person  
10 receiving such professional service, if any; and all confidential  
11 relationships previously enjoyed under the laws of this State or  
12 hereafter enacted shall remain inviolate. Any officer,  
13 shareholder, agent or employee of a professional corporation or a  
14 foreign professional legal corporation shall remain personally and  
15 fully liable and accountable for any negligent or wrongful acts or  
16 misconduct committed by him, or by any person under his direct  
17 supervision and control, while rendering professional service on  
18 behalf of the corporation in this State to the person for whom  
19 such professional service was being rendered; provided, that the  
20 personal liability of shareholders of a professional corporation, in  
21 their capacity as shareholders of such corporation, shall be no  
22 greater in any aspect than that of a shareholder-employee of a  
23 corporation organized under the provisions of the Business  
24 Corporation Act of New Jersey, exclusive of this act. The  
25 professional corporation shall be liable up to the full value of its  
26 property for any negligent or wrongful acts or misconduct  
27 committed by any of its officers, shareholders, agents or  
28 employees while they are engaged on behalf of the corporation in  
29 the rendering of professional service. The assets of a  
30 professional corporation shall not be liable to attachment for the  
31 individual debts of its shareholders. Notwithstanding the  
32 foregoing, the relationship of an individual to a professional  
33 corporation or a foreign professional legal corporation with which  
34 such individual is or may be associated, whether as shareholder,  
35 director, officer, employee or agent, shall in no way modify,  
36 extend or diminish the jurisdiction over such individual, of and by  
37 whatever State, agency, office or authority which licensed or  
38 otherwise legally authorized him to render service in a particular  
39 field of endeavor in this State.

40 (cf: P.L.1969, c.232, s.8)

41 5. Section 9 of P.L.1969, c.232 (C.14A:17-9) is amended to  
42 read as follows:

43 9. Limitations on corporate business activity.

44 No professional corporation shall engage in any business other  
45 than the rendering of the professional services for which it was  
46 specifically incorporated; and no foreign professional legal  
47 corporation shall engage in any business in this State other than  
48 the rendering of legal services of the type provided by  
49 attorneys-at-law; provided, that nothing in this act or in any  
50 other provisions of existing law applicable to corporations shall  
51 be interpreted to prohibit such corporation from investing its  
52 funds in real estate, mortgages, stocks, bonds or any other type  
53 of investments, or from owning real or personal property  
54 necessary for, or appropriate or desirable in, the fulfillment or

1 rendering of its professional services.

2 (cf: P.L.1969, c.232, s.9)

3 6. Section 10 of P.L.1969, c.232 (C.14A:17-10) is amended to  
4 read as follows:

5 10. Who may own shares; voting trust; estate ownership.

6 (a) No professional corporation may issue any of its shares to  
7 anyone other than an individual who is duly licensed or otherwise  
8 legally authorized to render the same professional service as that  
9 for which the corporation was incorporated. No shareholder of a  
10 professional corporation shall enter into a voting trust agreement  
11 or proxy or any other type of agreement vesting another person  
12 not a shareholder of the corporation with the authority to  
13 exercise the voting power of any or all of his shares. Subject to  
14 the provisions of the corporation's certificate of incorporation,  
15 the estate of a deceased shareholder may continue to hold the  
16 shares of such shareholder for a reasonable period of  
17 administration of the estate, but shall not be authorized to  
18 participate in any decisions concerning the rendering of  
19 professional service.

20 (b) A foreign professional legal corporation rendering legal  
21 services in this State shall have at least one shareholder who is an  
22 attorney-at-law licensed and eligible to practice in this State  
23 under the Rules of the Supreme Court.

24 (cf: P.L.1969, c.232, s.10)

25 7. Section 15 of P.L.1969, c.232 (C.14A:17-15) is amended to  
26 read as follows:

27 15. Applicable law; consolidation, merger; report, contents.  
28 The Business Corporation Act of New Jersey shall be applicable  
29 to a professional corporation and to a foreign professional legal  
30 corporation except to the extent that any of the provisions of this  
31 act are interpreted to be in conflict with the provisions of the  
32 Business Corporation Act of New Jersey, and in such event the  
33 provisions and sections of this act shall take precedence with  
34 respect to a professional corporation and a foreign professional  
35 legal corporation. [A] Except for a domestic professional legal  
36 corporation, a professional corporation organized under this act  
37 may consolidate or merge only with another professional  
38 corporation organized under this act and empowered to render  
39 the same professional service. A merger or consolidation with  
40 any foreign corporation is prohibited. A domestic professional  
41 legal corporation may consolidate or merge either with another  
42 domestic professional legal corporation or with a foreign  
43 professional legal corporation provided that the registration  
44 requirements of this act and the Rules of the Supreme Court are  
45 complied with. A professional corporation shall annually furnish  
46 a report to the office of the Secretary of State on a date  
47 designated by the Secretary of State showing the names and  
48 post-office addresses of all its shareholders, directors and  
49 officers, which shall certify that, with the exception permitted in  
50 section 6, all such persons are duly licensed or otherwise legally  
51 authorized to render the same professional service in this State.  
52 A foreign professional legal corporation shall annually furnish a  
53 report to the office of the Secretary of State on a date  
54 designated by the Secretary of State showing the names and

1 post-office addresses of all its shareholders, directors and  
2 officers, and shall certify that the foreign professional legal  
3 corporation is authorized to render legal services of the type  
4 provided by attorneys-at-law in its state of incorporation and  
5 further certify that the shareholders and employees providing  
6 such services in this State are attorneys-at-law licensed and  
7 eligible to practice in this State. This report shall be made on  
8 forms prescribed and furnished by the Secretary of State, but  
9 shall contain no information except that expressly called for by  
10 this section. It shall be signed by the president or vice-president  
11 and the secretary or an assistant secretary of the corporation,  
12 and acknowledged by the persons signing the report before a  
13 notary public or other officer duly authorized to administer  
14 oaths, shall be filed in the office of the Secretary of State, and  
15 shall be in lieu of the regular annual report of corporations  
16 otherwise required by the Business Corporation Act of New  
17 Jersey.

18 (cf: P.L.1982, c.97, s.2)

19 8. This act shall take effect on the 120th day following  
20 enactment.

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Permits foreign legal corporations to do business in New Jersey.

1 legal corporation is authorized to render legal services of the  
2 type provided by attorneys-at-law in its state of incorporation  
3 and further certify that the shareholders and employees providing  
4 such services in this State are attorneys-at-law licensed and  
5 eligible to practice in this State. This report shall be made on  
6 forms prescribed and furnished by the Secretary of State, but  
7 shall contain no information except that expressly called for by  
8 this section. It shall be signed by the president or vice-president  
9 and the secretary or an assistant secretary of the corporation,  
10 and acknowledged by the persons signing the report before a  
11 notary public or other officer duly authorized to administer  
12 oaths, shall be filed in the office of the Secretary of State, and  
13 shall be in lieu of the regular annual report of corporations  
14 otherwise required by the Business Corporation Act of New  
15 Jersey.

16 (cf: P.L.1982, c.97, s.2)

17 8. This act shall take effect on the 120th day following  
18 enactment.

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#### STATEMENT

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23 This bill will permit foreign professional legal corporations to  
24 transact business in New Jersey. Under the bill, a foreign legal  
25 corporation seeking to do business in New Jersey would be  
26 required to comply with the provisions of the Business  
27 Corporation Act including registering with and securing a  
28 certificate of authority from the Secretary of State.

29 This bill also removes the prohibition against the merger or  
30 consolidation of a New Jersey professional legal corporation with  
31 a foreign legal corporation.

32 The bill is consistent with the recommendations made by a New  
33 Jersey Supreme Court Ad Hoc committee on Professional  
34 Corporations in their report to the New Jersey Supreme Court  
35 dated April, 1994.

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Permits foreign legal corporations to do business in New Jersey.

ASSEMBLY ECONOMIC DEVELOPMENT, AGRICULTURE, AND  
MILITARY AND VETERANS' AFFAIRS COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 2578**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 8, 1995

The Assembly Economic Development, Agriculture, and Military and Veterans' Affairs Committee reports favorably Assembly Bill No. 2578, with committee amendments.

As amended, this bill will permit foreign professional legal corporations to transact business in New Jersey. Under the bill, a foreign legal corporation seeking to do business in New Jersey would be required to comply with the provisions of the Business Corporation Act including registering with and securing a certificate of authority from the Secretary of State.

This bill also removes the prohibition against the merger or consolidation of a New Jersey professional legal corporation with a foreign legal corporation.

The bill is consistent with the recommendations made by a New Jersey Supreme Court Ad Hoc committee on Professional Corporations in their report to the New Jersey Supreme Court dated April, 1994.

The committee amendments are technical in nature and serve to clarify the intent of the sponsor.