

Professional corporations (PCs) and professional limited liability companies (PLLCs) are corporations and limited liability companies organized for the purpose of providing professional services. What services constitute professional services are defined by state law. Typically professions that require a license, such as doctors, lawyers, accountants, architects, or engineers are required to form a PC or PLLC.

The formation of a professional entity is very similar to the formation of a standard corporation or LLC. The appropriate formation document, the articles of incorporation for a corporation or the articles of organization for an LLC, must be filed with the state and the necessary state filing fees be paid. However, with professional entities, an additional approval may be required by the proper state licensing body before the document can be filed with the Secretary of State. Further, the formation documents typically must contain the signature of a licensed professional in the same field of service as the incorporator. That person's license number may also be required. For example, a PC being formed to provide chiropractic services may require the signature of a licensed chiropractor as incorporator. Because of these additional requirements, the filing time for professional entities may be longer than the filing time for standard business entities.

The corporate or LLC name ending is also different with professional entities. Standard business corporations can typically end their name with Corporation, Incorporated, Company, Limited, or an abbreviation thereof. With a professional entity, the ending typically must be Professional Corporation or the abbreviation P.C. Some states have different names for professional corporations, such as Service Corporation or professional association. Professional limited liability companies typically use the name ending Professional Limited Liability Company or PLLC.

Some states also require that the type of profession be listed in the name. For example, a PC organized to provide medical services might need to include a word such as medical, health or something similar in order to designate the type of service being provided.

Generally, there are few significant differences in the operation of a professional corporation or limited liability company from a standard corporation or LLC. These entities are taxed like their general business counterparts, and PCs typically are allowed to make the S corporation election with the Internal Revenue Service (IRS). PCs and PLLCs also face the same ongoing formalities as those of the standard business entities.

One exception is that some states restrict who may be an owner or a director (manager for LLC) of a PC or PLLC. Typically, only licensed practitioners of the specific service that the corporation provides may own stock in the corporation and serve on the board of directors or be a member of the PLLC. For example, only licensed doctors provide medical services may own the stock of a PC that provides medical services.

Another item to keep in mind is that not all states allow the formation of a PLLC. This is becoming more widely recognized, but has not yet been fully adopted.