

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 1153
Economic Matters

(Delegate Adams)

Judicial Proceedings

Names of Entities With Physician Membership – Approval Requirement –
Exemption

This bill exempts the State Board of Physicians (MBP) from the requirement to approve the name of a professional entity whose members are licensed physicians. Instead, the State Department of Assessments and Taxation (SDAT) must notify the Maryland State Medical Society (MedChi) upon receipt of the application of a specified professional entity. On receipt of an application from SDAT, MedChi may (1) take no further action or (2) if there is reason to believe that the name is deceptive or misleading, refer the application to the Maryland Department of Health (MDH).

Fiscal Summary

State Effect: SDAT can likely send the required notice to MedChi with existing budgeted resources. The impact on MDH is likely small enough that it can be handled with existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Under the Maryland Professional Service Corporation Act (MPSCA), “professional corporation” means a corporation organized to render professional services. “Professional service” means a service that may only be rendered by a person licensed or otherwise authorized by a State licensing unit to render the service and that may not be

rendered by a corporation. “Professional services” include services provided by a chiropractor, dentist, osteopath, podiatrist, physician, psychologist, and physical therapist.

The name of a professional corporation must contain the surname of one or more of the corporation’s stockholders unless (1) the name of the corporation is approved by the appropriate licensing unit; (2) the licensing unit issues a certificate of authorization for use of the corporate name to the corporation or its incorporator; and (3) the certificate of authorization is attached to the articles of incorporation document in which the name is adopted.

In order to obtain a certificate of authorization, the professional corporation, or its incorporator, must file an application with the licensing unit and pay the required fee, as set by the licensing unit.

Upon receipt of the application, the licensing unit must consult with, and obtain approval from, the professional organization to which a majority of individuals rendering the professional service in the State belong. The professional organization must consider the established ethical standards, rules, and regulations of the profession in determining whether the proposed corporation name is appropriate. Upon approval, the licensing unit may issue the certificate of authorization

Chapter 335 of 2016 exempts professional corporations in which a majority of the stockholders are individuals who are licensed, certified, or otherwise authorized to practice a health occupation under the Health Occupations Article from the requirements that the corporation name be approved by the appropriate licensing unit and professional organization, including physicians. The exemption does not apply to a professional corporation that provides dental services.

Additional Comments: MBP advises that physicians are already exempt from MPSCA’s corporate name approval requirements if the professional corporation consists of a majority of stockholders licensed, certified, or otherwise authorized to practice a health occupation in Maryland. However, a professional corporation of physicians whose majority are not licensed in Maryland still requires approval from MBP and MedChi. MBP further advises that the number of requests to approve corporate names is very low; only two applications were received in fiscal 2020, and only six applications have been received (as of February 23, 2021) in fiscal 2021.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division);
Maryland Department of Health; Department of Legislative Services

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