

BUSINESS ORGANIZATIONS CODE

TITLE 7. PROFESSIONAL ENTITIES

CHAPTER 301. PROVISIONS RELATING TO PROFESSIONAL ENTITIES

Sec. 301.001. APPLICABILITY OF TITLE. (a) This title applies only to a professional entity or foreign professional entity.

(b) This title does not affect:

(1) the professional or confidential relationship between a person who provides a professional service and the recipient of that service; or

(2) a person's legal remedies against another person who commits an error, omission, negligent or incompetent act, or malfeasance while providing a professional service.

(c) This title does not apply to a partnership, including a limited liability partnership.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 688 (H.B. [1737](#)), Sec. 134, eff. September 1, 2007.

Sec. 301.002. CONFLICTS OF LAW. This title prevails over a conflicting provision of Title 1, 2, or 3.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 301.003. DEFINITIONS. In this title:

(1) "Licensed mental health professional" means a person, other than a physician, who is licensed by the state to engage in the practice of psychology or psychiatric nursing or to provide professional therapy or counseling services.

(2) "Professional association" means an association, as distinguished from either a partnership or a corporation, that is:

(A) formed for the purpose of providing the professional service rendered by a doctor of medicine, doctor of osteopathy, doctor of podiatry, dentist, chiropractor, optometrist, therapeutic optometrist, veterinarian, or licensed

mental health professional; and

(B) governed as a professional entity under this title.

(3) "Professional corporation" means a corporation that is:

(A) formed for the purpose of providing a professional service, other than the practice of medicine by physicians, surgeons, or other doctors of medicine, that by law a corporation governed by Title 2 is prohibited from rendering; and

(B) governed as a professional entity under this title.

(4) "Professional entity" means a professional association, professional corporation, or professional limited liability company.

(5) "Professional individual," with respect to a professional entity, means an individual who is licensed to provide in this state or another jurisdiction the same professional service as is rendered by that professional entity.

(6) "Professional limited liability company" means a limited liability company formed for the purpose of providing a professional service and governed as a professional entity under this title.

(7) "Professional organization," with respect to a professional corporation or a professional limited liability company, means a person other than an individual, whether nonprofit, for-profit, domestic, or foreign and including a nonprofit corporation or nonprofit association, that renders the same professional service as the professional corporation or professional limited liability company only through owners, members, managerial officials, employees, or agents, each of whom is a professional individual or professional organization.

(8) "Professional service" means any type of service that requires, as a condition precedent to the rendering of the service, the obtaining of a license in this state, including the personal service rendered by an architect, attorney, certified public accountant, dentist, physician, public accountant, or veterinarian.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Amended by:

Acts 2005, 79th Leg., Ch. 64 (H.B. 1319), Sec. 97, eff. January 1, 2006.

Acts 2007, 80th Leg., R.S., Ch. 688 (H.B. 1737), Sec. 135, eff. September 1, 2007.

Sec. 301.004. AUTHORIZED PERSON. For purposes of this title, a person is an authorized person with respect to:

(1) a professional association if the person is a professional individual; and

(2) a professional corporation or a professional limited liability company if the person is a professional individual or professional organization.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 301.005. APPLICATION FOR REGISTRATION OF FOREIGN PROFESSIONAL ENTITY. (a) When required by Chapter 9, a foreign professional entity must file an application for registration to transact business in this state.

(b) The secretary of state may accept an application filed under Subsection (a) only if:

(1) the name and purpose of the foreign professional entity stated in the application comply with this title and Chapters 2 and 5; and

(2) the application states that the jurisdiction of formation of the foreign professional entity permits reciprocal admission of an entity formed under this code.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 301.006. LICENSE REQUIRED TO PROVIDE PROFESSIONAL SERVICE. (a) A professional association or foreign professional association may provide a professional service in this state only through owners, managerial officials, employees, or agents, each of whom:

(1) is a professional individual; and

(2) is licensed in this state to provide the same

professional service provided by the entity.

(b) A professional entity or foreign professional entity, other than a professional association or foreign professional association, may provide a professional service in this state only through owners, managerial officials, employees, or agents, each of whom is an authorized person.

(c) An individual may not, under the guise of employment, provide a professional service in this state unless the individual is licensed to provide the professional service under the laws of this state.

(d) This section may not be construed to prohibit a professional entity or foreign professional entity from employing nurses or from employing individuals who do not, according to general custom and practice, ordinarily provide a professional service, including clerks, secretaries, bookkeepers, technicians, or assistants. To the extent this subsection conflicts with any other law, this subsection controls.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Amended by:

Acts 2005, 79th Leg., Ch. 64 (H.B. [1319](#)), Sec. 98, eff. January 1, 2006.

Acts 2007, 80th Leg., R.S., Ch. 688 (H.B. [1737](#)), Sec. 136, eff. September 1, 2007.

Sec. 301.007. CERTAIN REQUIREMENTS TO BE OWNER, GOVERNING PERSON, OR OFFICER. (a) A person may be an owner of a professional entity or a governing person of a professional limited liability company only if the person is an authorized person.

(b) An individual may be an officer of a professional entity or a governing person of a professional association or professional corporation only if the individual is a professional individual.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 301.008. DUTIES AND POWERS OF OWNER OR MANAGERIAL OFFICIAL WHO CEASES TO BE LICENSED; PURCHASE OF OWNERSHIP INTEREST. (a) A managerial official of a professional entity who ceases to satisfy the requirements of Section [301.007](#) shall

promptly resign the person's position and employment with the entity.

(b) An owner of a professional entity who ceases to be an authorized person as required by Section 301.007 shall promptly relinquish the person's ownership interest in the entity.

(c) A person who succeeds to the ownership interest of an owner shall promptly relinquish the person's financial interest in the entity if the person is not an authorized person as required by Section 301.007.

(d) A professional entity shall purchase or cause to be purchased the ownership interest in the entity of a person who is required to relinquish the person's financial interest in the entity under this section. The price and terms of a purchase of an ownership interest required under this subsection may be provided by the governing documents of the entity or an applicable agreement.

(e) A person who owns all of the outstanding ownership interests in a professional entity but is required under this section to relinquish the person's financial interest in the entity may act as a managerial official or owner of the entity only for the purpose of winding up the affairs of the entity, including selling the outstanding ownership interests and other assets of the entity. Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 301.009. TRANSFER OF OWNERSHIP INTEREST. Except as limited by the governing documents of the professional entity or an applicable agreement, an ownership interest in a professional entity may be transferred only to:

- (1) an owner of the entity;
- (2) the entity itself; or
- (3) an authorized person.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 301.010. LIABILITY. (a) A professional entity is jointly and severally liable for an error, omission, negligent or incompetent act, or malfeasance committed by a person who:

- (1) is an owner, managerial official, employee, or

agent of the entity; and

(2) while providing a professional service for the entity or during the course of the person's employment, commits the error, omission, negligent or incompetent act, or malfeasance.

(b) An owner, managerial official, employee, or agent of a professional entity other than an owner, managerial official, employee, or agent liable under Subsection (a) is not subject to the same liability imposed on the professional entity under this section.

(c) If a person described by Subsection (a) is a professional organization, the professional organization and the professional entity are jointly and severally liable for the error, omission, negligent or incompetent act, or malfeasance committed by the person, or the person's owner, member, managerial official, employee, or agent, while providing a professional service for the professional entity.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 301.011. EXEMPTION FROM SECURITIES LAWS. (a) A sale, issuance, or offer for sale of an ownership interest in a professional entity to a person authorized under this title to own an ownership interest in the professional entity is exempt from any state law, other than this code, that regulates the sale, issuance, or offer for sale of securities.

(b) A transaction described by Subsection (a) does not require the approval of or other action by a state official or regulatory agency authorized to regulate the sale, issuance, or offer for sale of securities.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 301.012. JOINT PRACTICE BY CERTAIN PROFESSIONALS. (a) Persons licensed as doctors of medicine and persons licensed as doctors of osteopathy by the Texas Medical Board, persons licensed as podiatrists by the Texas Department of Licensing and Regulation, and persons licensed as chiropractors by the Texas Board of Chiropractic Examiners may jointly form and own a professional association or a professional limited liability

company to perform professional services that fall within the scope of practice of those practitioners.

(a-1) Persons licensed as physicians under Subtitle B, Title 3, Occupations Code, and persons licensed as physician assistants under Chapter 204, Occupations Code, may form and own a professional association or a professional limited liability company to perform professional services that fall within the scope of practice of those practitioners.

(a-2) A physician assistant may not be an officer in the professional association or limited liability company.

(a-3) A physician assistant may not contract with or employ a physician to be a supervising physician of the physician assistant or of any physician in the professional association or limited liability company.

(a-4) The authority of each practitioner is limited by the scope of practice of the respective practitioner. An organizer of the entity must be a physician and ensure that a physician or physicians control and manage the entity.

(a-5) Nothing in this section may be construed to allow the practice of medicine by someone not licensed as a physician under Subtitle B, Title 3, Occupations Code, or to allow a person not licensed as a physician to direct the activities of a physician in the practice of medicine.

(a-6) A physician assistant or combination of physician assistants may have only a minority ownership interest in an entity created under this section. The ownership interest of an individual physician assistant may not equal or exceed the ownership interest of any individual physician owner. A physician assistant or combination of physician assistants may not interfere with the practice of medicine by a physician owner or the supervision of physician assistants by a physician owner.

(a-7) The Texas Medical Board and the Texas Physician Assistant Board continue to exercise regulatory authority over their respective license holders according to applicable law. To the extent of a conflict between Subtitle B, Title 3, Occupations Code, and Chapter 204, Occupations Code, or any rules adopted under those statutes, Subtitle B, Title 3, or a rule adopted under that

subtitle controls.

(b) Professionals, other than physicians, engaged in related mental health fields such as psychology, clinical social work, licensed professional counseling, and licensed marriage and family therapy may form a professional entity that is jointly owned by those practitioners to perform professional services that fall within the scope of practice of those practitioners.

(c) Persons licensed as doctors of medicine and persons licensed as doctors of osteopathy by the Texas State Board of Medical Examiners and persons licensed as optometrists or therapeutic optometrists by the Texas Optometry Board may, subject to the provisions regulating those professionals, jointly form and own a professional association or a professional limited liability company to perform professional services that fall within the scope of practice of those practitioners.

(d) Only a physician, optometrist, or therapeutic optometrist may have an ownership interest in a professional association or professional limited liability company formed under Subsection (c).

(e) An entity formed under Subsection (c) is not prohibited from making one or more payments to an owner's estate following the owner's death under an agreement with the owner or as otherwise authorized or required by law.

(f) When doctors of medicine, osteopathy, podiatry, and chiropractic, or doctors of medicine, osteopathy, and optometry or therapeutic optometry, or mental health professionals form a professional entity as provided by Subsections (a), (b), and (c), the authority of each of the practitioners is limited by the scope of practice of the respective practitioners and none can exercise control over the other's clinical authority granted by their respective licenses, either through agreements, bylaws, directives, financial incentives, or other arrangements that would assert control over treatment decisions made by the practitioner.

(g) The state agencies exercising regulatory control over professions to which this section applies continue to exercise regulatory authority over their respective licenses.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 782 (H.B. [2098](#)), Sec. 3, eff.
June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 388 (S.B. [679](#)), Sec. 3, eff.
June 1, 2017.

Acts 2019, 86th Leg., R.S., Ch. 467 (H.B. [4170](#)), Sec. 19.003,
eff. September 1, 2019.