

## Introduction to the Professional Corporation

By [Richard Chapo](#)

When starting a business, one of the first questions you will face is what business entity should you use. While everyone is at least passingly familiar with the corporation, "S" corporation and LLC, there are other entities for more specific situations. The professional corporation is one. Let's take a look.

As the name suggests, the professional corporation is a particular form of the corporation. As the name further suggests, it is designed to be used by professional businesses. What are professional businesses? Well, it depends on the state you are in. Most states have a section of code known by the name Business & Professions Code or something similar. In that code, there is a section of law that details which businesses must use professional corporations. That's right. The use is mandatory if you are going to incorporation.

What is the professional corporation? It is run like a basic corporation, but it has certain restrictions. Generally, the shareholders must be licensed professionals in the niche in question. Also, the entity will not provide protection from malpractice claims, but will for all other claims. Confused yet? Let's look at an example.

I am an attorney. I want to do partner up with another attorney. Together, we are interested in adding a third person who is a court reporter to our firm. We would form a professional corporation. The two attorneys would be the shareholders. The court reporter could not join as a shareholder, but we could create financial incentives to keep them on board. If get sued because I commit malpractice in a case, I will personally be liable. If the business gets sued in a dispute with our landlord, neither attorney will be personally responsible.

The professional corporation is a state creation. Not all states have them. Some replace them with professional limited liability companies or some other form of business. If you are a professional looking to form a business entity, make sure you contact a business attorney in your area to find out your options and requirements.

Richard A. Chapo is with [SanDiegoBusinessLawFirm.com](http://SanDiegoBusinessLawFirm.com)  
- providing legal services and answers to questions like what is a [professional corporation](#) .

Article Source: [http://EzineArticles.com/?expert=Richard\\_Chapo](http://EzineArticles.com/?expert=Richard_Chapo)