

CHAPTER 431

[Substitute Senate Bill No. 3069]

NONPROFIT CORPORATIONS—PROFESSIONAL SERVICE
CORPORATIONS—AUTHORITY

AN ACT Relating to professional service corporations; amending RCW 82.04.431; adding a new section to chapter 18.100 RCW; and adding a new section to chapter 24.03 RCW.

Be it enacted by the Legislature of the State of Washington:

***NEW SECTION. Sec. 1.** *A new section is added to chapter 18.100 RCW to read as follows:*

This chapter does not apply to a nonprofit corporation organized to provide professional services under chapter 24.03 RCW. Such a nonprofit corporation, however, may employ an individual or group of individuals incorporated pursuant to this chapter.

*Sec. 1 was vetoed, see message at end of chapter.

NEW SECTION. Sec. 2. A new section is added to chapter 24.03 to read as follows:

(1) Notwithstanding that chapter 18.100 RCW does not apply to such a corporation, a corporation organized under this chapter may provide professional services to the public.

(2) No corporation organized under this chapter may render professional services except through individuals who are duly licensed or otherwise legally authorized to render such professional services with this state. Nothing in this section, however, shall be interpreted to require the licensing of administrators, clerks, secretaries, bookkeepers, technicians, and other assistants employed by a professional corporation who are not usually and ordinarily considered by custom and practice to be rendering professional services to the public for which a license or other legal authorization is required.

(3) Nothing contained in this chapter shall be interpreted to abolish, repeal, modify, restrict or limit the law now in effect in this state applicable to the professional relationship and liabilities between the person furnishing the professional services and the person receiving such professional service and the standards for professional conduct or licensing.

Sec. 3. Section 6, chapter 196, Laws of 1979 ex. sess. as last amended by section 1, chapter 66, Laws of 1983 1st ex. sess. and RCW 82.04.431 are each amended to read as follows:

(1) For the purposes of RCW 82.04.4297, the term "health or social welfare organization" means an organization, including any community action council, which renders health or social welfare services as defined in subsection (2) of this section, which is a not-for-profit corporation under chapter 24.03 RCW and which is managed by a governing board of not less than eight individuals none of whom is a paid employce of the organization

or which is a corporation sole under chapter 24.12 RCW. Health or social welfare organization does not include a corporation providing professional services as authorized in section 2 of this 1985 act. In addition a corporation in order to be exempt under RCW 82.04.4297 shall satisfy the following conditions:

(a) No part of its income may be paid directly or indirectly to its members, stockholders, officers, directors, or trustees except in the form of services rendered by the corporation in accordance with its purposes and bylaws;

(b) Salary or compensation paid to its officers and executives must be only for actual services rendered, and at levels comparable to the salary or compensation of like positions within the public service of the state;

(c) Assets of the corporation must be irrevocably dedicated to the activities for which the exemption is granted and, on the liquidation, dissolution, or abandonment by the corporation, may not inure directly or indirectly to the benefit of any member or individual except a nonprofit organization, association, or corporation which also would be entitled to the exemption;

(d) The corporation must be duly licensed or certified where licensing or certification is required by law or regulation;

(e) The amounts received qualifying for exemption must be used for the activities for which the exemption is granted;

(f) Services must be available regardless of race, color, national origin, or ancestry; and

(g) The director of revenue shall have access to its books in order to determine whether the corporation is exempt from taxes within the intent of RCW 82.04.4297 and this section.

(2) The term "health or social welfare services" includes and is limited to:

(a) Mental health, drug, or alcoholism counseling or treatment;

(b) Family counseling;

(c) Health care services;

(d) Therapeutic, diagnostic, rehabilitative, or restorative services for the care of the sick, aged, or physically, developmentally, or emotionally-disabled individuals;

(e) Activities which are for the purpose of preventing or ameliorating juvenile delinquency or child abuse, including recreational activities for those purposes;

(f) Care of orphans or foster children;

(g) Day care of children;

(h) Employment development, training, and placement;

(i) Legal services to the indigent;

(j) Weatherization assistance or minor home repair for low-income homeowners or renters;

(k) Assistance to low-income homeowners and renters to offset the cost of home heating energy, through direct benefits to eligible households or to fuel vendors on behalf of eligible households; and

(l) Community services to low-income individuals, families, and groups, which are designed to have a measurable and potentially major impact on causes of poverty in communities of the state.

Passed the Senate April 23, 1985.

Passed the House April 16, 1985.

Approved by the Governor May 21, 1985, with the exception of certain items which are vetoed.

Filed in Office of Secretary of State May 21, 1985.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith without my approval as to Section 1, Substitute Senate Bill No. 3069, entitled:

"AN ACT Relating to professional service corporations;"

Section 1 of Substitute Senate Bill No. 3069 permits non-profit corporations practicing in one of the professions otherwise regulated by Title 18 of the Revised Code of Washington to employ individuals or groups incorporated under Title 18. This provision is unnecessary to the central purpose of this measure which is to permit organizations currently organized under Title 18 to organize under the non-profit corporation provisions of Title 24.

The inclusion of this provision raises significant questions about the relationships of for-profit enterprise with non-profit corporations. There is no current bar to a non-profit corporation contracting with a Title 18 professional services corporation as long as an arms length relationship is maintained. Section 1 of Substitute Senate Bill No. 3069 is therefore unnecessary unless some change in existing policy is intended. I believe that any provision which implies less stringent standards than those in the current law governing the relationship of non-profit entities to for-profit enterprise is unwise. I have therefore vetoed Section 1.

With the exception of Section 1, which I have vetoed, Substitute Senate Bill No. 3069 is approved."

CHAPTER 432

[Substitute Senate Bill No. 4267]

ABANDONED RAIL RIGHTS OF WAY—DEPARTMENT OF TRANSPORTATION DUTIES

AN ACT Relating to abandoned rail rights of way; amending RCW 47.76.020 and 47.76.030; and adding new sections to chapter 47.76 RCW.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 5, chapter 303, Laws of 1983 and RCW 47.76.020 are each amended to read as follows:

(1) The department of transportation (~~(commission)~~) shall prepare and periodically update a state rail plan, the objective of which is to identify, evaluate, and encourage essential rail service. The plan shall:

(a) Identify and evaluate those rail freight lines that may be abandoned or have recently been abandoned;