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Institute for the Study of Employee
Ownership and Profit Sharing

School of Management and Labor Relations

ACTION BRIEF

Sharing Ownership in Licensed Professional Firms

How firms can extend ownership to all employees—despite legal limits on who can hold equity.

Author: Oyindamola A. Ijewere, DBA | April 2026

Key Question

How can licensed professional firms share ownership with all employees—even when the law limits who can own equity?

Disclaimer: This brief is not intended as legal advice. Consult professionals and consider variety of goals and needs. Laws vary by state.

Purpose

This brief explores how licensed professional service firms can share ownership with their entire workforce despite legal restrictions that limit ownership to professionals with specified licenses. Firms such as law, medical, architecture, and engineering practices are subject to corporate practice restrictions that pose barriers to sharing ownership opportunities broadly with employees.

The brief outlines legally compliant pathways to extend, or completely transition, ownership to both licensed and non-licensed employees at all levels of the organization, enabling more inclusive equity arrangements that recognize the value of all team members—while adhering to professional practice regulations.

The Problem

Licensed professional service firms such as medical practices, therapy clinics, engineering firms, and law firms are subject to distinct regulations that shape their ownership and governance structures. These rules, commonly referred to as corporate practice restrictions, vary by profession and location. They generally require that only licensed professionals can own and control the firm. Both ownership and management related to service or care must be held exclusively by licensed practitioners.

Professional firms frequently include a mix of licensed and non-licensed workers, as well as professionals with different types of licenses. Yet in many states, ownership of a professional corporation (PC) is legally limited to one license type, meaning other licensed professionals in the firm cannot share in ownership. For instance, in the state of Illinois, a licensed family and marriage therapist (LMFT) can own a practice that employs social workers, psychologists, and professional counselors. Ownership of this practice can only legally be shared with other LMFTs.

The laws are intended to safeguard professional independence, ensure accountability, and prevent conflicts of interest. Yet, in doing so, they also limit the ability of firms to adopt broad-based ownership that might enhance recruitment, retention, alignment, and engagement of key staff.

Solutions

Solutions exist, but they vary from state to state. Generally, licensed professional services firms that wish to share ownership with the broader employee base can create **a second company to work alongside the professional corporation**. This new company is a “**management services organization**” (MSO). The MSO provides ongoing defined services, such as administrative services, to the professional company and may be owned entirely by non-licensed employees or by a mix of licensed (those who cannot be owners of the professional corporation) and non-licensed staff.

In this scenario, the PC and MSO are bound by a management services agreement (MSA) that defines responsibilities, fees, and protocols while maintaining legal separation and regulatory compliance. This MSA structure allows for operational integration between the professional corporation and management company while preserving required professional independence.

Typically, the professional corporation will continue to be owned by the licensed practitioner(s) who provide the services to the firm’s clients or patients. The ownership of this PC can be shared with or transferred to other similarly licensed practitioners employed by the firm, as permitted by the restrictions on practice.

While this “MSO” solution is common, other, simpler, solutions involve extending profit sharing but not equity broadly to employees. An example is detailed below.

Key Elements of this Solution

1. Given the restrictions on some licensed and non-licensed professionals around decision making and control in Professional Corporations, a Management Service Organization (MSO) owned by some or all employees is created.
2. The MSO provides predefined services such as administrative and operations support to the PC under a Management Service Agreement (MSA), an agreement defining their relationship and the scope of services. In compliance with practice restrictions, the MSO may bill the PC for services, participate in non-clinical decision making and share profits with its worker-owners.
3. The PC will employ all licensed individuals (all those providing direct care or client services). The MSO will typically employ the non-licensed individuals such as administrators, billers and other staff who do not provide direct client care.
4. The PC will be owned by appropriately licensed professionals in accordance with state laws. The MSO will be owned by individuals with other licenses and non-licensed employees such as administrators.

Key Steps

Step 1 – Evaluate Practice Laws in Your Jurisdiction

State law variations impact the feasibility of employee ownership for licensed professional service firms. Existing firms can typically extend ownership and profit sharing to the extent that the governing law allows professionals or non-professionals to own the company.

Step 2 – Evaluate Firm

Licensed professional service firms should evaluate the types of licenses employees hold in the firm. What license(s) should the future professional corporation be based on to encourage continuity? While evaluation based on firm size, revenue, profitability and employee engagement are important, the presence of collective decision-making and shared responsibility within the firm should be assessed.

Step 3 – Evaluate Owner Priorities

As owners contemplate sharing ownership with employees, selecting the right employee ownership structure is critical to achieving goals and securing legacy. Owners must take cognizance of their exit timeline and desired level of involvement at the time of sale and post-sale. Similarly, they should explore employee ownership models based on their financial and tax priorities while considering how they want the workforce to experience ownership.

Examples: Two Pathways

Two composite examples help to illustrate how employee ownership can be implemented. For both, imagine a fictional therapy practice registered as a Professional Corporation (PC) in Illinois and solely owned by a Licensed Marriage and Family Therapist (LMFT).

The owner, a long-time therapist aged 55, is not ready to retire. They wish to sell their equity while remaining in leadership for the next five years. The owner would like to reward all employees (irrespective of licensure)—by sharing ownership and instituting profit sharing. According to Illinois practice of medicine laws, only LMFTs can own or co-own an LMFT practice.

Below are two possible pathways to employee ownership or profit sharing (or both) for this fictional firm—Option 1 and Option 2.

Option 1 – Two Company Model

The practice employs 60 individuals—30 LMFTs, 20 Licensed Clinical Social Workers (LCSW), seven Licensed Clinical Professional Counselors (LCPC) and three administrators. Illinois practice of medicine laws prohibit the three types of license owners above (LMFTs, LCSWs, and LCPCs) from co-owning the practice.

How is employee ownership possible? The existing marriage and family therapist practice (the professional corporation) will continue to operate, with ownership now extended to other LMFTs in addition to the sole original owner. This is possible because these other therapists have the same LMFT license as the original owner.

How can this be done? To minimize operational disruptions, the current owner of the practice will transfer equity/ interest in the current PC to LMFTs who meet the statutory and internal ownership requirements. Because the current PC continues operating, this allows for continuity with insurance contracts.

A second company, a Management Services Organization (MSO), is created. It may take the form of a Limited Liability Company (LLC) or a Limited Worker Cooperative Association (LWCA).

The MSO is responsible for providing non-clinical support services such as administration, operation and strategic planning services to the PC under the Management Services Agreement (MSA). All non-licensed employees (such as administrators) are employed under the MSO. The MSO will cover its operating costs using the fees it receives from the PC based on the MSA.

The PC employs all the LMFTs and the other licensed professionals (LCSWs and LCPCs). However, these otherwise licensed individuals cannot own equity in the PC. Because the LMFTs own the PC, they can participate in profit sharing under the PC, after the PC has paid the MSO for its services.

Everyone who is not an LMFT is eligible for ownership in the MSO, provided they meet ownership guidelines.

Profits within the MSO will be distributed only to these MSO owners. The MSO cannot own the PC. The MSO does not partake in the profits of the PC. It must generate its own profits.

A Management Service Agreement (MSA) is the contract that defines the relationship between the MSO and the PC. The MSA outlines the scope of services the MSO will provide to the PC as it pertains to administrative support, strategic planning and facilities management while ensuring compliance with healthcare regulations and standards. The MSA details the financial terms of the agreement, inclusive of management fees, and any sort of revenue and expense allocation as permissible under the practice of medicine laws.

For another example of a practice that has utilized the PC + MSO model, see the case study of [Alliance Cooperative](#) an employee-owned medical practice in New York.

Below is an illustration of how the MSA connects both companies.

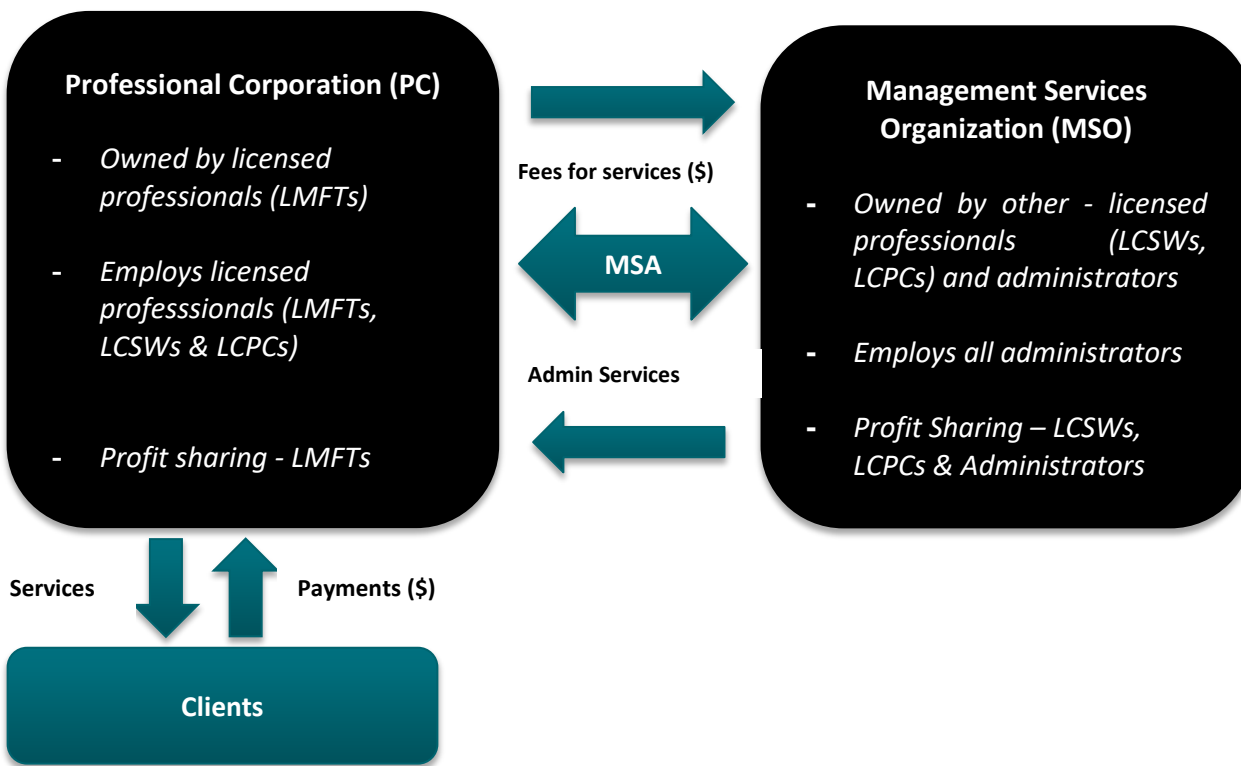


Figure 1: Employee Ownership in a Behavioral Therapy Practice Using the MSO & PC Model

Option 2 – One Company Model

Alternatively, in a smaller version of the composite example above, a fictional therapy practice in Illinois with less than 10 employees (three LMFTs, three LCSWs, one LCPC, and one administrator) is seeking to share ownership and profits with its employees. The owner of the practice is an LMFT. For smaller organizations, a two-company structure such as the MSO + PC model can be burdensome. To minimize complications, small practices can opt to maintain a one-company (PC only) model. This model also bodes well for practices with fewer license types across the workforce.

Under this single-company model, the PC owner shares or transfers ownership to the LMFTs, since they can legally co-own the practice together. In this circumstance, the owner can transfer equity/ interest to other LMFTs who qualify for ownership based on statutory and internal ownership requirements.

The practice can operate as an LLC in Illinois allowing LMFTs to be members (worker owners) of the worker cooperative. Members have voting rights, share in profits/losses, and are able to participate in governance decisions.

Other licensed individuals (LCSWs and LCPCs) who do not qualify for ownership (membership) in the PC, and administrators are employed by the PC. These latter set of employees are engaged as patrons of the worker cooperative. Patrons are not allowed to vote and make governance decisions for the cooperative. Patrons can participate in indirect activities of the cooperative and profit sharing.

With this model, ownership is extended to more licensed professionals, and profit sharing potentially to all. The PC only model typically involves less administration as it encourages the continuity of the existing company. It eliminates the financial burden, regulatory complexity, operational challenges and legal/ administrative burdens of running multiple companies.

The two-company model extends ownership and profit sharing to all. The one company model differs from the first in its simplicity; no MSO is required. The second model limits ownership while extending profit sharing to all.

Other licensed professional firms engaged in spaces such as healthcare, medicine, veterinary care, physical therapy and engineering firms can benefit from similar models to those stated above.

The options provided are not intended as legal advice. Prior to implementing employee ownership in licensed professional services firms, it is crucial to seek specialized legal counsel to navigate complex regulatory requirements, including state professional practice laws, securities regulations, and tax implications that vary significantly by profession and jurisdiction.

Why This Matters

Sharing ownership and profit in licensed professional services firms creates powerful alignment between employee incentives and firm success, leading to improved service delivery, better financial performance, and enhanced staff attraction and retention. When employees irrespective of role have an ownership stake and access to profit sharing, they are incentivized to work more efficiently and are motivated to provide exceptional service.

Employee ownership offers an alternative exit strategy to traditional sales, allowing firms to share ownership with those who contribute to their success. It brings diverse perspectives, structured succession planning, potential tax benefits, and transforms employees from cost centers into invested owners. The examples shared offer visibility into how to accomplish employee ownership in licensed professional services firms.

Source Materials

1. Jackson LLP (2025). Management Services Agreements (MSAs): What Healthcare Professionals Should Understand. Retrieved from <https://jacksonllp.com/msa-management-services-agreements-in-healthcare/>
2. Kenney, A. (2025). What to know when your client is considering employee ownership. *Journal of Accountancy*, April 2025. Retrieved from <https://www.journalofaccountancy.com/issues/2025/apr/what-to-know-when-your-client-is-considering-employee-ownership/>
3. Scharf, A. (2022, December). Case studies of worker cooperatives in health. *Case Studies Collection*. Alliance Collective. Rutgers University. Institute for the Study of Employee Ownership and Profit Sharing. Retrieved from <https://cleo.rutgers.edu/wp-content/uploads/2023/01/CASE-STUDY-ALLIANCE-COLLECTIVE.pdf>
4. Teamshares. (2025, June 05). Small business survival in the wake of the silver tsunami. Teamshares. Retrieved from <https://www.teamshares.com/resources/silver-tsunami/>

Appendix

Definitions

Licensed professional firms—A licensed professional firm is a business entity whose members must hold regulatory licenses to legally provide specialized professional services.

MSA— A management services agreement is a contract where one company provides administrative, operational, and business support services to another company in exchange for compensation, typically used in healthcare between management service organizations and professional practices.

MSO— A management services organization is a company that provides non-clinical administrative, operational, and business support services to healthcare practices, allowing medical professionals to focus on patient care while maintaining compliance with laws that prohibit non-licensed entities from practicing medicine.

LWCA—Limited Worker Cooperative Association in Illinois is a legal business entity for worker cooperatives, allowing employees of the business to be workers and owners. Coop entity types present differently depending on the state.

Cooperative member—are owners of a cooperative who have voting rights, share in profits/losses, and participate in governance decisions.

Cooperative patron—are non-owners of the cooperative who do not have voting rights and do not participate in governance decisions but share in profits/losses of the cooperative.

Business Forms for Licensed Professional Firms

Medical practices, therapy clinics, engineering firms, law firms and similar businesses must operate as partnerships, professional corporations, or limited liability partnerships due to legal and regulatory requirements. They are usually formed under special “professional” versions of these entities, created by statute to comply with licensing board rules and ethics codes.

Licensed professional firms limit ownership and control to licensed practitioners (or require licensed majority control). They are subject to professional discipline and reporting requirements.

Ordinary firms can choose any state-recognized business form—C-Corporation, S-Corporation, LLC, LLP, LP, sole proprietorship, etc.—without special designation.

Author

Oyindamola A. Ijewere, DBA



Oyindamola is an employee ownership practitioner at Project Equity, a co-adjutant and two-time fellow at the Rutgers University School of Management and Labor Relations, supporting research at the Institute for the Study of Employee Ownership and Profit Sharing.

She is also an adjunct faculty member at Wilmington University's School of Business. Her research interests include employee ownership, business succession planning and business continuity.

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