

**REAL ESTATE ENTITY LICENSES FOR REAL ESTATE  
BROKERS AND SALESPERSONS**

**Broker Entities**

Real estate brokers may conduct business as a self-employed broker (sole proprietorship), corporation, general or limited partnership, or limited liability partnership or limited liability company. There are no restrictions on ownership of the entity by licensed versus unlicensed individuals, or other entities for that matter. However, under A.R.S. § 32-2125(A) any corporation, limited liability company or partnership holding a real estate license must designate a “natural person” who is licensed as a broker to act as the company's designated broker. The designated broker, or “db,” must be an officer of the corporation, a partner of the partnership, or a member of the LLC (or a manager of the LLC if the company's management is vested in one or more managers of the LLC). With regard to corporations, the designated broker is not required to serve on the board of directors or hold stock in the corporation - but as noted above, he or she must be an officer.

**Salesperson Entities**

As any licensed broker or salesperson knows, real estate salespersons must operate under the employ of a licensed employing broker, and be compensated through that broker. Nevertheless, the real estate statutes specifically permit salespersons, associate brokers, and more recently designated brokers, under an employing broker to utilize their own sub-entity, subject to various requirements.

Form of Entity - The PLC or PC

Salespersons and associate brokers cannot use the LLC or normal (non-professional) corporation entity. The entities available are either a professional corporation (“PC”), or a professional limited liability company (“PLLC” or “PLC”). To the extent a designated broker seeks to be licensed as an entity separate from the employing broker of which he or she is the designated broker, he or she may also utilize a PC or PLC, under A.R.S. 32-2125(B). Use of a PC or PLC entity involves various restrictions, but also certain benefits.

Use of an entity allows the agent to receive compensation (commissions) from the employing broker through the entity, which is specifically permitted by A.R.S. § 32-2125(B), and to pay employees and expenses through the entity. The entity may elect to be taxed as either a sole proprietorship or corporation (presumably subchapter S) in the

case of a single agent member or shareholder, or as a partnership or corporation in the case of two or more agent members. It is often advantageous taxwise for an individual licensee to form a PLC or PC and elect subchapter S status for the entity.

Further, the PLC or PC will afford some protection from liability, though these “professional” entity forms do not offer the broad protection from personal liability offered by an LLC or non-professional corporation.

For example, a member of a PLC will still be liable for his or her own malpractice as well as for the malpractice of those persons under his or her direct supervision and control while performing professional services on behalf of the entity. A.R.S. § 29-846. However, the member(s) of a PLC and the shareholder(s) of a PC are protected from personal liability for the contractual obligations of the entity (e.g., office lease, car lease, other business debts) unless they have personally guaranteed the obligations. As well, they are not personally liable for liabilities of the entity *not* arising out of professional services (e.g., accidents on business premises).

The limited protection from personal liability for acts of other persons in the PLC or PC may be helpful for purposes of avoiding general partnership liability that might otherwise arise under certain circumstances. It is now a common practice for agents to combine under “teams” or “groups” to promote their real estate services.<sup>1</sup> While agents who work together under the same employing broker are not automatically “partners,” there is a case to be made that real estate agents who work together and promote themselves as “teams” or “groups” and share their commissions have formed a partnership. There are no Arizona cases supporting this proposition, however, under the general partnership statutes a partnership may be deemed to exist even absent a written agreement or commitment between the “partners”; under the partnership statutes, “the association of two or more persons to carry on as co-owners a business for profit forms a partnership, whether or not the persons intend to form a partnership.” A.R.S. § 29-1012(A). Partners are jointly and severally liable for the obligations of their partnership enterprises.

### Principals

The “principals” (the members of a PLC, or shareholders of a PC) must each hold active real estate licenses. A.R.S. § 32- 2125(B).

---

<sup>1</sup> Use of the “team” or “group” moniker was previously specifically permitted under former A.A.C. R4-28-502(K), which was later abrogated (deleted). The Arizona Department of Real Estate still considers such “team” or “group” designations to be permissible. The Department’s Substantive Policy Statement No. 2022-22 addresses the use of teams, which are defined as “an established business relationship of more than one Arizona real estate licensee, all of whom must be licensed with the same Arizona licensed real estate brokerage.” Id.

### Employing Broker

The members or shareholders of the PLC or PC must all be licensed under the same employing broker. An exception exists for a husband and wife who are members/shareholders and both hold active licenses, in which case each may have different employing brokers as long as there are no other members of the PLC or PC.

### Name

A PLC or PC may not use a fictitious name – the company name must consist of the full or last names of each of its members or shareholders. A.R.S. § 29-845; A.A.C. R4-28-303(F). A PLC must contain the words, “professional limited liability company,” or the abbreviations “P.L.L.C.,” “PLLC,” “P.L.C.,” or “PLC.” A PC must contain the words, “professional corporation,” “service corporation,” “limited,” “chartered,” or one of the following abbreviations: “P.C.” “P.A.,” “S.C.,” “Ltd” or “Chtd.”