

## Limited Partnership - LP Document Checklist

The business entity information on the Business Knowledge Center website is intended to provide you with background organizational information on the structure of various business entity types. To ensure legal and accounting compliance, you should review and verify your specific organizational documentation with your lawyer and your accountant.

One of the Entity Structure choices you may choose for your business is a Limited Partnership or LP. A Limited Partnership is a type of Partnership formed by one or more General Partners and one or more Limited Partners. LPs are often formed to manage passively run businesses or for raising capital for a business investment purpose like the ownership of a commercial real estate property.

Almost all states govern the formation of Limited Partnerships under the Uniform Limited Partnership Act. This Federal body of law was enacted in 1916 and has since been amended multiple times. The U.S. Small Business Administration lists all the local, state and federal permits and licenses necessary to start a business.

In most cases, there is only one General Partner in a Limited Partnership. The General Partner must be a legal person or a business entity that qualifies as a legal person. The General Partner(s) manages the business and shares fully in its profits and losses in predefined proportions established in the Partnership Agreement. The General Partner(s) has joint and several liability for the debts of the partnership.

Limited Partners are usually not involved in the day-to-day operation of the business. They play a passive investor roll and have limited business liability linked to what they have at risk in the business. Limited Partners share in the profits of the business, but their ability to deduct losses generated by the LP are limited to the extent of their investment in the LP. The General Partner(s) has management control.

Creating a Limited Partnership requires the submittal of a registration form to the Secretary of State's office in the State you choose to form your business. The registration should list the name of each General Partner and be signed by each General Partner. It should also list the street address of the Limited Partnership and list the name and contact information for the Registered Agent.

As part of the documentation review, the State may charge an annual filing fee. Filing fees will vary by State and will typically fall in the \$70.00 - \$200.00 range.

If the Limited Partnership does business in another State, they will likely have to file an application to register as a foreign Limited Partnership in that State. If the General Partner is a Corporation or an LLC, the entity's name must be filed along with the name and title of the individual(s) that can sign on behalf of the business entity.

The LP will file a Partnership Federal Tax Return – IRS Form - 1065, but the business entity will not pay federal income taxes. The income tax payment requirements will be passed through to the Partners individually based on how the Partnership Agreement defines profits distribution for tax purposes.

### **Common reasons why business owners choose a Limited Partnership Entity Structure:**

**Limited Business Liability** – Limited Partners do not have personal liability exposure for business entity liabilities so long as they maintain their passive role in the management of the business. Limited Partners are personally liable for what they have invested in the entity plus anything in addition they have intentionally obligated themselves for or have at risk. This includes any business-related obligation(s) they have personally guaranteed like a loan from a financial institution or a lease from a property owner.

**Centralized Management** – The General Partner has management control of the business regardless of the amount of equity investment they have in the business.

**Treated for Tax Purposes as a Pass-Through Tax Entity** – Limited Partnerships are treated for federal income tax purposes as a pass-through tax entity. They file a Partnership Federal Income Tax Return – IRS Form – 1065. In addition, all Partners will receive an IRS Form - K-1. The K-1 provides specific information regarding how taxable profits generated by the LP have been distributed to the individual Partners.

## Important Documents

(Check off after you have filed, recorded, copied and stored each item)

---

### Limited Partnership Agreement

Document outlining and defining the management control over the business and each partner's ownership interest and duties and responsibilities. The Agreement should establish the rules of business governance and the relationships between the Partners. The Agreement should define how profits and losses will be shared among the Partners. It should establish protocol for dealing with any disputes between the Partners and define what happens in the event a Partner dies or decides to leave the Partnership. The Agreement should list the name, address and principal place of business, define the business purpose of the LP, and list the name and address of the General Partner(s) and the Limited Partners.

If a formal Partnership Agreement does not exist, Partnership governance rules are subject to the Partnership Laws of the State where the business resides.

---

### Business Name Reservation Form

Reserves a unique name for the business while you complete the registration process. The application to reserve a specific name should include the name of the applicant, the name reserved, and the date of the reservation.

---

### Certificate of Limited Partnership

This document must be filed with the Secretary of State or with the County Clerk in the county in which the limited partnership business is located. The Document should list the name and address of each General Partner, the character or purpose of the business and the latest date at which the Partnership is intended to dissolve. The Certificate must be published in local area newspapers to provide public disclosure.

---

### Annual Report

Most States impose minimal reporting requirements on Limited Partnerships. Some States require an Annual Report document to be filed by the LP with the Secretary of State. This report is required to maintain approval to do business in the State. The report updates information on the business's address, the names and addresses of the General Partner(s), and the contact information for the Registered Agent. A processing fee is required to be paid.

---

### Certificate of Existence/Good Standing

A Certificate issued by the Secretary of State as proof the LP is currently in good standing and authorized to do business in the State.

---

### Registered Agent

Person or business entity named in the Partnership Agreement to receive notices or service of process.

---

### Registered Office

The office address where the Registered Agent must be located during business hours.

---

### Certificate of Existence/Good Standing

A Certificate issued by the Secretary of State as proof the LP is currently in good standing and authorized to do business in the State.