

General Partnership 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 Partnership. A Partnership is a business entity, but it is not a separate legal person business entity. It is formed by one or more General Partners. They agree to contribute money, labor, and/or job skills to a business. The individual Partners are each personally liable to an unlimited degree for the debts of the business.

Partnerships are relatively easy to form. Typically, the Partners create a written Partnership Agreement defining the working relationships between the Partners. The Agreement should outline each Partner's control over the business and their specific duties and responsibilities.

The Agreement should define how profits will be distributed among the Partners. It should also establish a mutually agreed method for resolving disagreements between the Partners and what happens when a Partner becomes incapacitated, dies or wants to leave the Partnership.

If the Partners do not create a formal written Partnership Agreement, the business operation by default becomes governed by the laws for Partnerships existing in the State where the Partnership resides. Each state has its own laws in place relative to Partnerships, but the general principles remain the same across the United States.

Unless the Partnership Agreement states otherwise, each partner takes responsibility for managing the business and can bind the other Partners by signing legal documents in the Partnership name. General Partnership laws state that each Partner is also equally responsible for all the debts of the Partnership. This means that if the Partnership owes money to another business; that business can sue each of the Partners individually for the full sum owed. Creating a Partnership does not require the submittal of a registration form to the Secretary of State's office in the State you choose to form your business.

If the Partnership does business in another state, it will likely have to file an application to register as a foreign 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 that can sign on behalf of the business entity.

The Partnership 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. Each Partner will receive and IR Form - K-1 that will define how the taxable income generated by the Partnership has been distributed based on how the Partnership Agreement defines profits distribution for tax purposes.

Common reasons why business owners choose a Partnership Entity Structure:

Capital Formation – Combining resources provided by multiple owners enable more access to capital and other business skills and know-how for the operating business

Centralized Management – General Partners have 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 – A Partnership does not pay Federal income taxes on the profits it generates. Instead, each Partner pays tax on their share of the taxable income generated by the business. The IRS requires each Partnership to file an information return to list the Partnership's income, profits and losses. Depending on the location of the business, a Partnership may also have to file information returns with the relevant state tax authorities.

Important Documents

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

Partnership Agreement

Document that outlines and defines 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 Partnership, and list the name and address of the General Partners.

If a formal Partnership Agreement does not exist, the Partnership is governed by 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.

Register Your Business Name

There are four (4) different ways to register and protect your business name. Each of these name registrations is legally independent. Most small businesses try to use the same name for each kind of registration.

They include:

1. Business Entity Name – at the State Level
2. Business DBA Designation Name – at the State Level
3. Trademark Registration – at the Federal Level
4. Business Domain Name for your Website Address