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## GENERAL PARTNERSHIPS

### **DEFINITION:**

A general partnership is an association of two or more people to carry on as co-owners, a business for profit, and is considered an entity distinct from the partners. Each partner is an agent of the partnership and may bind the partnership in the ordinary course of its business. Additionally, each partner is personally liable for the partnership's obligations. Because partners are agents for the partnership, each partner owes the other partners a fiduciary duty regarding partnership affairs and must act in the highest good faith.

A joint venture is an association of two or more persons for a limited or a temporary business purpose, and is generally treated by courts and taxing entities as a general partnership.

### **FORMATION:**

A general partnership is formed by the agreement of the partners. This agreement may be written or oral. There is no specific form prescribed by law. While not legally required, a written agreement removes any uncertainty regarding the partners' legal relationship towards one another and third parties. This is especially important because an individual who misrepresents himself as a partner or who holds himself out as such may be treated as an ostensible partner. Partners who consent to the non-partner's misrepresentations may be bound as well.

### **TAXES:**

A general partnership is generally not taxed at the partnership level for purposes of federal or state income or franchise taxes. The partnership's net profits, losses, and tax credits are passed through and taxed directly to the partners. In order to be entitled to partnership rather than corporation tax treatment, the entity must possess no more than two corporate characteristics, defined as limited liability, continuity of life, centralized management, and free transferability of interest.