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## How does a limited partnership work?





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### Question:

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### Answer:

A limited partnership is a form of business ownership that consists of general partners and limited partners. There is no maximum number of either type of partner, but there must be at least one general partner. The general partners manage the partnership and are typically personally liable for all of the partnership's obligations, as well as for the acts of the other partners on behalf of the partnership. Limited partners are generally exposed to such liability only to the extent of their investment in the limited partnership. However, they are not permitted to participate in management of the partnership without the loss of this liability protection. A limited partnership offers some flexibility when allocating profits and control. This flexibility can provide certain tax and business advantages for individual partners.

State law and the partnership agreement govern a limited partnership. Your partnership agreement should spell out the entire arrangement between the partners and state each partner's share of profits and losses. In cases where the partnership agreement fails to address an issue, state law will dictate how the partnership is to operate. In these instances, your state's version of either the Uniform Limited Partnership Act (ULPA) or the Revised Uniform Limited Partnership Act (RULPA) will determine how disputes are resolved.

## IMPORTANT DISCLOSURES

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