

BUSINESS ENTITIES VIDEO SERIES, Script Three
GENERAL PARTNERSHIP

A **general partnership** is a business owned by two or more people (even a husband and wife), who carry on the business as a partnership. Partnerships have specific attributes, which are defined by Kansas Statutes.

- All partners share equally in the right and responsibility to manage the business.
- Each partner is responsible for all debts and obligations of the business.
- The distribution of profits and losses, allocation of management responsibilities and other issues affecting the partnership are usually defined in a written partnership agreement.
- General partnerships may file different statements with the Office of the Secretary of State.
- The filings are optional and not mandatory.
- The filing fee for Partnership Statements is \$35.

General partnerships have certain **advantages**.

- A general partnership is easy to organize and has few initial costs.
- A general partnership draws financial resources and business abilities from all partners.
- It has quasi-entity status in that it may own assets, contract in the partnership name, may sue and be sued in the partnership name and may file separate bankruptcy.
- Liability is shared by all partners.
- Partners may take business losses as a personal income tax deduction.
- The partnership may register a trademark or a service mark to help prevent confusion resulting from deceptively similar business names.

General partnerships have certain **disadvantages**.

- Each partner is personally liable for all the obligations of the business, not just his or her share. Thus, if a company truck is involved in an accident, each partner's personal assets may be attached by the court to help compensate the injured party.
- Each partner has the power to act on behalf of the business, which requires that partners be chosen with care.
- The partnership has no continuity of life. If any partner dies or becomes incompetent, such partner's interest is dissociated from the partnership and the partnership may be dissolved and reformed.
- All partners must pay tax on their share of partnership profits, although profits may be retained in the business.
- A general partnership has more opportunity than a sole proprietorship but less than a corporation, to take advantage of certain benefits afforded by the Internal Revenue Code.

This is the third of eight business entity videos created by the Office of the Kansas Secretary of State. The first is an introduction to the series, and the remaining seven videos each target a specific type of business organization. Each video provides a brief description of the business entity type, its registration requirements, and the advantages and disadvantages of its structure.

I'm Kansas Secretary of State Kris Kobach, wishing you success in your new business venture. For further assistance, please visit www.sos.ks.gov or call (785) 296-4564.