

# NEW YORK LIMITED PARTNERSHIPS

Several choices are available in structuring a business entity: the general partnership, the limited partnership, the Sub-S Corporation, the regular C Corporation, or the limited liability company.

The corporate form is generally used because it affords limited liability and simplicity of organization. However, the partnership form, general or limited, usually affords the most favorable tax consequences. In many cases, the organizer will want to avoid the "double taxation" of a business corporation (taxation at the corporate level and the shareholder level) and afford a pass-through of tax losses.

The limited partnership provides some of the benefits of both a corporation and a general partnership by being a pass-through organization but allowing certain participants who are investors but are not active in the day-to-day operations of the business to achieve limited liability by becoming limited partners. Under the Tax Reform Act of 1986, however, any losses of a limited partner are subject to the "passive loss" and "at-risk" limitations. Limited partnerships are commonly chosen to conduct real estate operations and privately syndicated business operations.

A limited partnership permits passive investors to invest capital and share in the profits and losses of a partnership venture without being liable for more than their capital contribution. Those who will be active in the day-to-day operation of the limited partnership business, such as the general partner, however, must remain fully liable. Frequently, however, the general partner is a corporation.

The limited partner generally is not liable for the general obligations of a limited partnership unless that partner is also a general partner or participates in the "control" of the partnership's business. The limited partnership statutes permit limited partners to take many common actions without being deemed to have participated in the control of the partnership business.

To ensure taxation as a partnership, the limited partnership agreement must be carefully drafted to avoid being classified as an "association" and taxed as a corporation. Let Spiegel & Utrera form your limited partnership today!

**If you have any questions, please call a Spiegel & Utrera office listed below:**

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