

Overview on the Formation of a Family Limited Partnership

You need an air-tight limited partnership agreement. For this, you need the right assistance. Partners should consult their own attorneys because they may have conflicts between the partners.

You create the limited partnership by filing a certificate of limited partnership or certificate of organization or registration statement with the state who then issues a charter acknowledging the limited partnership's formal existence. Most state filings include the:

- Limited partnership name
- Address
- Name and address of the general partners
- Name and address of the resident agent
- General activities or purpose of the limited partnership (in some states a statement of 'any lawful business which may be conducted by a limited partnership' will suffice)
- Mandatory dissolution date

Some states require additional information. The certificate normally does not list the limited partners, nor is the limited partnership agreement filed as a public record.

Once your certificate of limited partnership has been filed and approved, you apply to the IRS for an employer's identification number (EIN). Complete and return Form SS-4. If you already have an employer identification number for a retirement account or you have had employees prior to registering as a limited partnership, you nevertheless need a new number because the limited partnership is a new entity. You may also need a tax identification number from your state.

Once the limited partnership obtains its taxpayer ID number it should open its own bank accounts and set up its own recordkeeping. Remember that funds and other assets belonging to the limited partnership must be kept separate and apart from your own funds, as well as funds belonging to other entities, because it is viewed in the eyes of the law as a legal entity separate and apart from the owner(s). Separate bank accounts and bookkeeping that clearly show what you and the limited partnership separately earn and pay out are usually sufficient. A local bookkeeper or accountant can easily set up a convenient accounting and tax system for your partnership.