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FIVE REASONS WHY IT MAY BE BENEFICIAL TO CONVERT A LIMITED LIABILITY COMPANY TO A PARNERSHIP

## Freedom

A partnership allows for a fluid governing structure. In fact, there doesn't have to be any particular governing structure at all. Partnerships are closely held private arrangements that -- unlike corporations -- don't have to report their activities to anyone. Partners can come up with any way they like to manage the organization including one partner managing, both or handing the business over to a professional manager and having no partners managing day to day.

## Taxes

Partnerships themselves don't actually pay taxes. Their profits and losses are passed through to their owners, who then incorporate them in their personal income tax. This simplifies the burden on owners. Corporations -- being entities in their own right -- are taxed, and the profits are passed to owners who are then also taxed on them. Partnerships avoid the double taxation issue. Additionally, in corporations and often in LLCs, losses are not passed through to the owners. This takes away owners' ability to receive additional tax relief when their businesses perform poorly.

## Flow of Assets

Partnerships -- not being fully separated from their owners -- can fluidly move assets in and out of the business. Owners can at any time decide to inject more cash into the business from their personal funds or take more earnings out of the business. Because in the end, the taxes fall on the owners anyway, there's nothing stopping them from moving monies, property and other goods in and out of the service of the partnership. In a corporation or LLC, property and monies must be accounted for carefully and transfer of physical property -- land or chattel -- must be legally recorded.

Simple operating structure. A partnership, as opposed to a corporation, is fairly simple to establish and run. No forms need to be filed or formal agreements drafted (although it is advisable to write a partnership agreement in the event of future disagreements). The most that is ever required is perhaps filing a partnership certificate with a state office in order to register the business's name and securing a business license. As a result, the annual filing fees for corporations, which can sometimes be very expensive, are avoided when forming a partnership.

*Acquisition of capital.*Partnerships generally have an easier time acquiring capital than corporations because partners, who apply for loans as individuals, can usually get loans on better terms. This is because partners guarantee loans with their personal assets as well as those of the business. As a result, loans for a partnership are subject to state usury laws, which govern loans for individuals. Banks also perceive partners to be less of a risk than corporations, which are only required to pledge the business's assets. In addition, by forming a limited partnership, the business can attract investors (who will not be actively involved in its management and who will enjoy limited liability) without having to form a corporation and sell stock.