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ACC 301

ASSIGNMENT QUESTION:

LIST AND DISCUSS ATLEAST FIVE OTHER REASONS (APART PRIVACY AND COST OF OPERATION) WHY IT MAY BE BENIFICIAL TO COVERT A LIMITED LIABILITY COMAPANY TO A PARTNERSHIP BUSINESS.

* Collaboration
* Simple operating structure
* Flexibility
* Uniform laws
* Tax advantages

1. Collaboration. As compared to a sole proprietorship, which is essentially the same business form but with only one owner, a partnership offers the advantage of allowing the owners to draw on the resources and expertise of the co-partners. Running a business on your own, while simpler, can also be a constant struggle. But with partners to share the responsibilities and lighten the workload, members of a partnership often find that they have more time for the other activities in their lives.
2. 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.
3. Flexibility. Because the owners of a partnership are usually its managers, especially in the case of a small business, the company is fairly easy to manage, and decisions can be made quickly without a lot of bureaucracy. This is not the case with corporations, which must have shareholders, directors, and officers, all of whom have some degree of responsibility for making major decisions.
4. Uniform laws. One of the drawbacks of owning a corporation or limited liability company is that the laws governing those business entities vary from state to state and are changing all the time. In contrast, the Uniform Partnership Act provides a consistent set of laws about forming and running partnerships that make it easy for small business owners to know the laws that affect them. And because these laws have been adopted in all states but Louisiana, interstate business is much easier for partnerships than it is for other forms of businesses.
5. Tax advantages. The profits of a partnership pass through to its owners, who report their share on their individual tax returns. Therefore, the profits are only taxed once (at the personal level of its owners) rather than twice, as is the case with corporations, which are taxed at the corporate level and then again at the personal level when dividends are distributed to the shareholders. The benefits of single taxation can also be secured by forming an S corporation (although some ownership restrictions apply) or by forming a limited liability company (a new hybrid of corporations and partnerships that is still evolving).