

## Differences between limited liability companies, partnerships and registered limited liability partnerships

# PREVIEW

1. A LLC shields its members from LLC obligations in much the same manner as a limited partnership shields its limited partners from the limited partnership's debts.
2. A LLC may afford more protection to its members than a limited partnership affords to its limited partners.
3. A limited partnership affords greater protection to the limited partners than is afforded to members of a registered limited liability partnership.
4. In a limited partnership the general partner (which may be a corporation) has unlimited liability and exposure for the limited partnership's debts and obligations. Members in a LLC have no such exposure.
5. Generally the limited partners are not liable for the limited partnership's debts and obligations unless they have actively engaged in the management of the business.
6. On the other hand, a registered limited liability partner may participate in the management or control of the partnership business and still enjoy the limited liability afforded by the RLLP.
7. Both a general and an RLLP partner are liable for general partnership debts and obligations, however, an RLLP partner is not liable for the negligence or malpractice of other registered limited liability partners in his or her partnership unless he or she was involved in the negligent act or aware of the negligent act.
8. A partner in a general partnership is liable for all other partner's actions in the partnership even if he or she had nothing to do with the negligent action.
9. LLC's must pay a franchise tax, whereas general partnerships, limited partnerships and registered limited liability partnerships do not pay the Texas franchise tax.
10. The attorney should review the consequences and affect of the franchise tax before choosing a limited liability company, partnership, limited partnership, or registered limited liability partnership.

## Why should one choose a limited liability partnership over a registered limited liability partnership?

# THANK YOU

1. RLLP's allow pre-existing partnerships to enjoy similar benefits to those afforded LLCs. Due to the tax consequences of disbanding a partnership and then forming a new entity, i.e. a LLC, many pre-existing partnerships will prefer to chose the RLLP form rather than the LLP form.
2. A RLLP can enjoy many of the same benefits of a LLC but avoids the tax consequences of changing the organization of a pre-existing partnership.

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3. For example large law firms that desire the benefits of an LLC but do not want to form a LLC due to the tax consequences can form a KLLP.

**PREVIEW**

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