

GENERAL OR LIMITED PARTNERSHIP

Simplicity in Operation and Formation	Relatively simple and informal, except that a limited partnership must have a written agreement.
Liability for Debts, Taxes, and Other Claims	General partners have unlimited personal liability; limited partners are only at risk to the extent of their investment. Partners may be liable to the IRS for failure to withhold and pay withholding taxes on employee's wages.
Federal Income Taxation of Business Profits	Taxed to partners at their individual tax rates.
Double Taxation if Profits Withdrawn from Business	No.
Deduction of Losses by Owners	Yes, but limited partner's deductions cannot exceed amount invested as a partner--except for real estate, in some instances. Losses are generally restricted by "passive loss" rules.
Social Security Tax on Earnings of Owner from Business	Partner(s) subject to both the employee's and employer's share of Social Security (FICA) tax on self-employment earnings up to a certain level and the employee's and employer's share of Medicare tax beyond that level.
Unemployment Taxes on Earnings of Owner	None.
Retirement Plans	Keogh plan. Same as for proprietorships. A 10% partner cannot borrow from Keogh Plan.
Tax Treatment of Medical, Disability, and Group-Term Life Insurance on Owners	Not deductible, except part of medical expenses may be an itemized deduction on owner's tax return, including medical insurance premiums. A certain % of medical insurance on an owner is allowed as a deduction from adjusted gross income.
Taxation of Dividends Received on Investments	Dividends taxable to individual partners. See proprietorship.

NOTE: This overview is intended as general information only and may not include the latest developments. Check with your accountant or attorney for up-to-date information about which structure makes the most sense for your individual situation.