

Partnership

A partnership is a business wherein two or more people share ownership and each contributes financial resources, property, labor, and skill as well as shares profits and losses of the business.

Taxes

Partnerships file an annual return of income to report the finances of the business but each partner is responsible for handling taxes for their respective share of income/loss.



Formation

The business must be registered with the state and file appropriate licenses, permits and regulations. There are 3 types of partnerships. 1) General Partnerships divide profits, liability and management duties equally. 2) Limited partnerships grant limited liability and input to partners dependent on that partner's investment. 3) Joint ventures act as a general partnership for a limited time.



Advantages

- Simple and inexpensive to form
- Ease of capital acquisition due to shared financial commitment
- Each partner contributes an ideally unique skill set
- Can offer employees the incentive of becoming a partner

Disadvantages

- Personally liable for actions, debts, obligations and other partners
- Personal disagreements between partners
- Partners share profit and success with each other regardless of contribution



Examples

HP, Chanel, Microsoft all start out as partnerships