

QUESTIONNAIRE: Is Partnership the Right Form For Your Business?

Partnerships are extremely simple to enter into, but they also come with certain risks. This diagnostic questionnaire will help you decide whether partnership is the right form for your business.

Yes/no

- _____ Will the business have two or more owners?
- _____ Will each owner be entitled to a say in the partnership's affairs and to information about the business?
- _____ Will each owner be entitled to a share of the business's profits?
- _____ Do the owners want to avoid the expense and formality of registering their business with the state?
- _____ Do the owners want to avoid formal management requirements like holding an annual meeting?
- _____ Do the owners wish the business to not be directly subject to federal income tax, but instead to have profits and losses flow through to each owner personally?
- _____ Do the owners wish to be able to dissolve the business without following a set of formal, statutory requirements?
- _____ Do the business owners trust each others' judgment and ethics?
- _____ Are owners willing to pay off any debts that the business will incur?
- _____ Is the business at relatively low risk for lawsuits or accruing large debts that the owners would have difficulty paying off?
- _____ Is the possibility of the business entity's dissolution not a great concern if an owner dies or leaves the business?

_____ Will the owners all be able to pay income tax on the business's profits that are reinvested in the business rather than being distributed to the partners?

The more questions you have answered "yes" to, the more likely it is that your business would be suited for partnership. You should discuss these questions with your attorney before making a decision.