

LLCs, Partnerships, and Corporations

It is often advantageous for a person doing business alone, or several people doing business together, to form an entity for the purposes of carrying out the business.

Partnerships. A partnership can be either general or limited. In a general partnership, all partners are liable for the debts, obligations, acts, omissions, and negligence of the partnership, and its employees.

In a limited partnership, or a limited liability partnership, there are general and limited partners. While the general partners are liable, the liability of the limited partners is limited.

Forming a limited partnership requires an agreement of the partners, and registration with the state.

Corporations. A corporation is a legal person. A corporation can hire employees, be a party to contracts and agreements, own real estate, and sue and be sued. In a corporation, there are shareholders, directors, and officers. The shareholders own the corporation's stock, and are the owners of the corporation. The shareholders vote on the members of the board of directors. The board of directors then appoints the president, secretary, treasurer, and other officers. The officers manage the day-to-day business of the corporation. The shareholders, directors, and officers are not liable for the debts, obligations, acts, omissions, or negligence of the corporation.

Forming a corporation requires drafting articles of incorporation, and bylaws, and registration with the state, and issuing stock. The issuing of stock is regulated by both the state and the federal government.

LLCs. A limited liability company is a hybrid between a limited partnership and a corporation. Like a corporation, an LLC is a legal person that can be a party to a contract, own real estate, and sue and be sued. Like a corporation, the owners of the LLC are not liable for the debts, obligations, acts, omission, or negligence of the LLC. However, an LLC does not require many of the formalities of a corporation. To form an LLC, the owners, referred to as "members," form an operating agreement, and register the LLC with the state. The members can manage the LLC, or the members can designate a manager or managers to manage the company.

Care must be taken in creating and operating a corporation, LLC, or limited partnership. Ordinarily, corporate owners are not liable for a corporation's debts, and the corporation and its owners are considered separate legal entities. However, in some cases, where the owners have used the corporate identity to promote an injustice or fraud, a corporation and those owning all of its stock and assets will be treated as identical. In such cases, a court can "pierce the corporate veil," and assess individual liability. In these cases, the courts disregard the fiction that the corporation is independent of its stockholders and treat the stockholders as the corporation's "alter egos."

The attorneys with Bielagus Law Offices PLLC have years of experience in creating partnerships, corporations, and LLCs.

Please do not hesitate to contact us with any questions. We can be reached at:

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