

## All about RUPA

The Washington Revised Uniform Partnership Act (RUPA) became law on January 1, 1999. Through RUPA the state legislature substantially changed the law governing general and limited liability partnerships, and the changes affect real property ownerships and how partnerships are used in real property transactions.

RUPA provides the default for those matters not addressed by a partnership agreement. However, RUPA also contains ten provisions that the partners may not change or waive, that is, fundamental rights of partners such as the right of access to books and records, duties owed by partners to one another, and absolute right of a partner to withdraw from a partnership.

Moreover, RUPA eliminates the tenancy in partnership concept and instead adopts the entity theory of a partnership. "A partnership is an entity distinct from its partners." Property acquired by a partnership is property of the partnership and not of the partners.

If a partnership has not registered as a limited liability partnership, partners are jointly and severally liable for all obligations of the partnership. Partners can convert to a limited liability partnership, and the conversion should not by itself create any federal income tax liability. However, the operation of a limited liability partnership may have different tax consequences than the operation of a general partnership.

The new law also changed the law regarding dissociation and dissolution, as well as authorizing but not requiring four different kinds of statements with the Washington Secretary of State.

Note that a title policy in effect at the date of conversion should continue in force, but this issue should be addressed with a title company. Moreover, the merger of partnerships with limited partnerships, limited liability companies, and corporations vest the surviving entity with title to all of the assets of the merged entity.

RUPA should make doing business in the partnership form less cumbersome than under prior law.