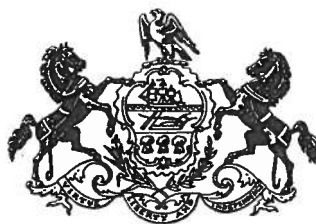


DEC 23 2010

MEMO



Senate of Pennsylvania

December 22, 2010

TO: All SENATORS
FROM: Stewart J. Greenleaf *Stewart*
SUBJECT: Cosponsorship -- **Limited liability partnerships/corporations**

I am introducing legislation amending provisions of the Associations Code, Title 15 of the Pennsylvania Consolidated Statutes, relating to limited liability partnerships (LLPs) and limited liability companies (LLCs).

Under current law, a general partner in a LLP is not liable for torts committed in the course of the partnership's business if the general partner was not involved in commission of the tort. A general partner in an LLP, however, is liable for all other debts and obligations of the LLP. Thus a general partner in an LLP has less protection from liability than does a shareholder in a corporation or a member in a LLC. The LLP type of business entity is used primarily by large professional firms that have found it too complex to convert their practices to professional corporations or professional LLCs (which, as a result, are used largely by smaller professional practices).

This legislation provides that general partners in a professional LLP will have the same protection from liability as shareholders in a professional corporation, thus giving the owners of large and small professional practices the same liability protection. The LLP laws of over 35 states provide for the full liability protection proposed by this legislation.

LLCs were first authorized under Pennsylvania law in 1994. Since that time, the manner in which they are taxed under the Federal income tax laws has been substantially simplified. This legislation makes a number of minor changes to Pennsylvania law to conform to the new rules at the Federal level but these changes do not affect the Pennsylvania taxation of LLCs.

This legislation requires that notice be published when a domestic LLC or LLP is formed and when it is dissolved. Notice must also be published when a foreign LLC or LLP qualifies to do business in Pennsylvania or withdraws its qualification to do business. The notice must be published in both a commercial newspaper and also in the county bar journal for the county where the registered office of the LLC or LLP is located. The advertising requirements are the same as for other business entities

The provisions relating to LLPs and LLCs, including the advertising requirements, were part of a more comprehensive bill, Senate Bill 351, last session but are being introduced this session as a separate bill.

This legislation is a continuation of the work of the Title 15 Task Force of the Pennsylvania Bar Association.

If you would like to cosponsor this legislation, please contact Pat Snively of my office by e-mailing her at psnively@pasen.gov.