

HOUSE BILL REPORT

HB 1252

As Amended by the Senate

Title: An act relating to limited partnerships.

Brief Description: Regulating the dissolution of limited partnerships.

Sponsors: By House Committee on Law & Justice (originally sponsored by Representatives Wensman, Costa, Sheahan, Sterk, Lantz, Skinner, Kenney and Lambert; by request of the secretary of state).

Brief History:

Committee Activity:

Law & Justice: 1/31/97, 2/11/97 [DP].

Floor Activity:

Passed House: 2/28/97, 96-0;

Passed House: 1/16/98, 94-0.

Senate Amended.

HOUSE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass. Signed by 13 members: Representatives Sheahan, Chairman; McDonald, Vice Chairman; Sterk, Vice Chairman; Costa, Ranking Minority Member; Constantine, Assistant Ranking Minority Member; Carrell; Cody; Kenney; Lambert; Lantz; Radcliff; Sherstad and Skinner.

Staff: Edie Adams (786-7180).

Background: A limited partnership is a form of business organization that consists of limited partners and at least one general partner. General partners run the business and are personally liable for the debts and obligations of the limited partnership. Limited partners are liable for the partnership's debts and obligations only to the extent of their contributions, as long as they do not participate in control of the business.

A limited partnership may be formed by filing a certificate of limited partnership with the secretary of state. Limited partnerships formed under the laws of another state or country may conduct business in the state if they file a registration of foreign limited partnership with the secretary of state. The name of a limited partnership must be

distinguishable on the records of the secretary of state from the name of any other limited partnership, limited liability company, or corporation.

A limited partnership is dissolved at the date specified in its certificate of formation or, if no date is specified, 30 years after the date the certificate of partnership is filed. A limited partnership may be administratively dissolved by the secretary of state if the limited partnership: (1) fails to file a required amendment to its articles of incorporation when the name or structure of the limited partnership changes; (2) is without a registered agent or registered office in the state for 60 days or more; or (3) does not notify the secretary of state within 60 days of a change affecting its registered agent or registered office. The limited partnership may be reinstated if the limited partnership submits an application for reinstatement within two years after the administrative dissolution. The registration of a foreign limited partnership may be revoked under circumstances and in a manner similar to administrative dissolution.

A limited partnership is required to amend its certificate upon the happening of certain events but is not required to file periodic reports with the secretary of state. There is no authority in the limited partnership act for the secretary of state to update its records or identify limited partnerships that are inactive or operating outside the state.

Before 1982, limited partnerships were registered by the counties under a state law passed in 1945. In 1981, the Legislature updated the limited partnership act and required limited partnerships to register with the secretary of state.

There are approximately 17,200 limited partnerships of record in Washington, the majority of which were registered with the secretary of state after 1982. The secretary of state estimates that about 90 percent of limited partnerships registered before 1982 and 50 percent of limited partnerships registered after 1982 are defunct or operating outside of Washington.

Summary of Bill: A limited partnership formed before 1982 and after June 6, 1945, must provide written notice to the secretary of state before January 1, 1998, that it continues to actively conduct business. The notice must include its principle business address, the name of its registered agent, and the address of its registered office.

The secretary of state must notify all limited partnerships formed between 1945 and 1982 of the requirement to notify the secretary of state that it continues to conduct business. If the notice to the limited partnership is returned as undeliverable, or if the limited partnership fails to notify the secretary of state that it continues to conduct business, the Secretary of state must administratively dissolve the partnership. The dissolved partnership may be reinstated upon application within two years after the dissolution, or if the notice to the limited partnership was returned as undeliverable,

the limited partnership may apply for reinstatement within five years after the administrative dissolution.

A periodic reporting requirement is established for limited partnerships. A limited partnership must file a periodic report with the secretary of state that includes the name of the limited partnership, the address of its registered office in the state, the name of its registered agent in the state, the address of its principle place of business, and in the case of a foreign limited partnership, the address of its principle office in the state or country where it is formed. The reports are due every five years, unless the secretary of state adopts a longer reporting period, and must include a fee of \$50.

The secretary of state may administratively dissolve a limited partnership or revoke the registration of a foreign limited partnership if the limited partnership does not deliver its completed periodic report to the secretary of state when due.

EFFECT OF SENATE AMENDMENT(S): Dates provided in the bill are changed to make them consistent with passage in the 1998 session.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill sets up a process for the secretary of state to clean up the files containing records on limited partnerships formed long ago that are no longer conducting business. Maintaining these records needlessly costs the state money.

Testimony Against: None.

Testified: Representative Wensman, prime sponsor.