

# SENATE BILL REPORT

## SB 5374

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As Reported By Senate Committee On:  
Law & Justice, February 15, 1995

**Title:** An act relating to registered limited liability partnerships.

**Brief Description:** Establishing registered limited liability partnerships.

**Sponsors:** Senators Smith and Roach.

**Brief History:**

**Committee Activity:** Law & Justice: 1/30/95, 2/15/95 [DPS].

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### SENATE COMMITTEE ON LAW & JUSTICE

**Majority Report:** That Substitute Senate Bill No. 5374 be substituted therefor, and the substitute bill do pass.

Signed by Senators Smith, Chair; C. Anderson, Vice Chair; Hargrove, Haugen, Johnson, Long, McCaslin, Quigley, Rinehart, Roach and Schow.

**Staff:** Martin Lovinger (786-7443)

**Background:** Under current law there are a number of forms of business association, such as corporations and limited liability companies, in which individuals can pool resources for the benefit of themselves and their customers, but limit their individual liability for negligence or misconduct of their associates or of employees under the direct control of their associates.

For some businesses, the existing forms of association that limit individual liability are impractical or too burdensome. Partnerships are considered an attractive form for conducting business, but there is no limit on individual liability for each partner for the negligence or misconduct of other partners. Partnerships also require a good deal less paperwork to establish and operate than corporations, thus reducing the bureaucratic burden on the partners. In addition, there are some businesses that cannot become limited liability corporations because they have associates in more than one state.

**Summary of Substitute Bill:** A new form of business association known as a registered limited liability partnership is created. Two or more persons may become a registered limited liability partnership by applying with the Secretary of State, paying the \$175 application fee, and maintaining a \$1,000,000 liability insurance policy.

A partner in a registered limited liability partnership is not individually liable for debts or obligations of the partnership, except for his or her negligent or wrongful acts or those of a person under his or her control.

**Substitute Bill Compared to Original Bill:** The substitute creates a new chapter for registered limited liability partnerships, instead of adding this form of business organization to the existing chapter that regulates partnerships. The substitute requires \$1,000,000 in liability coverage for all limited liability partnerships, not just providers of professional services.

**Appropriation:** None.

**Fiscal Note:** Requested on January 24, 1995.

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

**Testimony For:** Limited liability partnerships exist in over 20 states. Limited liability corporations do not protect multi-state professional services companies. Partnerships provide an easier procedure for admitting new partners. Partners in limited liability partnerships will obtain protection for their personal assets.

**Testimony Against:** None.

**Testified:** Greg Jordshaugen, President, Washington Society of Accountants (pro); Jim Boldt, Washington Society of Accountants (pro); Linda MacKintosh, Secretary of State's office (neutral).