

# DEED OF PARTNERSHIP DISSOLUTION AND TAX LIQUIDATION

This Deed of Partnership Dissolution and Tax Liquidation (the "Agreement") is entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, by and among the following partners:

1. \_\_\_\_\_, residing at \_\_\_\_\_ (hereinafter referred to as the "First Partner");
2. \_\_\_\_\_, residing at \_\_\_\_\_ (hereinafter referred to as the "Second Partner"); and
3. \_\_\_\_\_, residing at \_\_\_\_\_ (hereinafter referred to as the "Third Partner").

The First Partner, Second Partner, and Third Partner may collectively be referred to as the "Partners" and individually as a "Partner."

## RECITALS

WHEREAS, the Partners entered into a Partnership Agreement dated \_\_\_\_\_, 20\_\_\_\_\_, establishing the partnership operating under the name \_\_\_\_\_ (the "Partnership"), with its principal place of business at \_\_\_\_\_;

WHEREAS, the Partners have mutually agreed to dissolve the Partnership and wind up its business affairs, including the liquidation of its assets and the final settlement of its tax liabilities, in accordance with the terms and conditions set forth herein; and

WHEREAS, the Partners desire to provide for the orderly allocation, reporting, and payment of all outstanding federal, state, local, and foreign tax obligations of the Partnership.

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions herein contained, the Partners agree as follows:

## 1. DISSOLUTION OF PARTNERSHIP

1. **Effective Date:** The Partnership is hereby dissolved effective as of the close of business on \_\_\_\_\_, 20\_\_\_\_\_, (the "Dissolution Date").
2. **Cessation of Business:** As of the Dissolution Date, the Partnership shall cease to carry on its business, except in so far as may be required for the beneficial winding up thereof. No Partner shall have the authority to bind the Partnership or any other Partner to any new obligation, contract, or liability, except as expressly authorized for the winding up process.

## 2. APPOINTMENT OF LIQUIDATING PARTNER

1. **Designation:** \_\_\_\_\_ is hereby appointed as the liquidating partner (the "Liquidating Partner") with full authority to wind up the affairs of the Partnership, liquidate its assets, and handle all tax liquidation matters.
2. **Powers and Duties:** The Liquidating Partner shall collect all outstanding receivables, pay and discharge all valid debts and liabilities, sell or otherwise dispose of Partnership assets, and distribute any remaining proceeds to the Partners in accordance with their final capital account balances.

## 3. TAX LIQUIDATION AND FILING PROVISIONS

1. **Final Tax Returns:** The Liquidating Partner shall cause to be prepared and timely filed all final federal, state, and local partnership tax returns, including but not limited to IRS Form 1065 and any corresponding state filings, for the tax year ending on the Dissolution Date.
2. **Schedule K-1:** The Liquidating Partner shall issue final Schedules K-1 (and any corresponding state schedules) to each Partner within \_\_\_\_\_ days following the preparation of the final tax returns.
3. **Tax Allocations:** All items of income, gain, loss, deduction, and credit realized by the Partnership in connection with the liquidation of assets, termination of the business, or otherwise occurring during the winding-up period shall be allocated among the Partners in accordance with their respective partnership percentages as of the Dissolution Date, unless otherwise required by applicable tax laws.
4. **Partnership Representative:** \_\_\_\_\_ is designated as the Partnership Representative under the Centralized Partnership Audit Regime. The Partnership Representative shall have the authority to represent the Partnership in any administrative or judicial proceedings relating to the determination of Partnership tax items.

#### 4. SETTLEMENT OF LIABILITIES AND TAX RESERVE

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1. **Payment of Creditors:** The Liquidating Partner shall apply the assets of the Partnership to satisfy outstanding liabilities in the following order of priority:
  - a. To creditors, including Partners who are creditors, in satisfaction of liabilities of the Partnership other than liabilities for distributions to Partners;
  - b. To the establishment of any reserves which the Liquidating Partner deems reasonably necessary for any contingent, conditional, or prospective liabilities or tax obligations of the Partnership; and
  - c. To the Partners in proportion to the positive balances in their respective capital accounts.
2. **Establishment of Tax Reserve:** A dedicated tax reserve account in the amount of \$ \_\_\_\_\_ shall be established and held in escrow by \_\_\_\_\_ (the "Escrow Agent") for a period of \_\_\_\_\_ months from the Dissolution Date (the "Escrow Period") to satisfy any unexpected or newly assessed tax liabilities, penalties, or interest. Any funds remaining in the tax reserve account at the expiration of the Escrow Period shall be distributed to the Partners in accordance with their capital account percentages.

#### 5. RELEASE OF CLAIMS AND INDEMNIFICATION

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1. **Mutual Release:** Subject to the performance by the Partners of their respective obligations under this Agreement, each Partner hereby releases, acquits, and forever discharges each other Partner from any and all claims, demands, liabilities, and causes of action of every kind and nature arising out of or in connection with the Partnership.
2. **Tax Indemnification:** Each Partner agrees to indemnify, defend, and hold harmless the other Partners and the Liquidating Partner from and against any individual tax liability, deficiency, interest, or penalty assessed against the Partnership or the other Partners resulting from such Partner's individual tax filings, failure to report Schedule K-1 allocations correctly, or breach of any tax representation contained herein.

#### 6. GENERAL PROVISIONS

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1. **Governing Law:** This Agreement shall be governed by, and construed in accordance with, the laws of the State of \_\_\_\_\_, without giving effect to any choice of law principles.
2. **Entire Agreement:** This Agreement constitutes the entire agreement among the Partners regarding the dissolution and liquidation of the Partnership and supersedes all prior agreements, understandings, or representations, whether oral or written.
3. **Counterparts:** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Partners have executed and delivered this Deed of Partnership Dissolution and Tax Liquidation on the date first written above.

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First Partner Signature

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

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Second Partner Signature

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

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Third Partner Signature

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

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Liquidating Partner (if separate)

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

**NOTARY ACKNOWLEDGEMENT**

State of \_\_\_\_\_ )

County of \_\_\_\_\_ ) ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, before me, the undersigned notary public, personally appeared \_\_\_\_\_, known to me (or satisfactorily proven) to be the persons whose names are subscribed to the within instrument, and acknowledged that they executed the same for the purposes therein contained.

\_\_\_\_\_  
Notary Public Signature

My Commission Expires: \_\_\_\_\_

Place Notary Seal Here



