

# PARTNERSHIP DISSOLUTION AND TAX LIQUIDATION AGREEMENT

This Partnership Dissolution and Tax Liquidation Agreement (the "Agreement") is entered into and made effective as of \_\_\_\_\_, 20\_\_\_\_\_, by and among the following partners (collectively referred to as the "Partners"):

**Partner 1:** \_\_\_\_\_, residing at \_\_\_\_\_  
**Partner 2:** \_\_\_\_\_, residing at \_\_\_\_\_  
**Partner 3:** \_\_\_\_\_, residing at \_\_\_\_\_

WHEREAS, the Partners have been conducting business as a general partnership under the name of \_\_\_\_\_ (the "Partnership"), pursuant to a Partnership Agreement dated \_\_\_\_\_, 20\_\_\_\_\_; and

WHEREAS, the Partners have mutually agreed to dissolve the Partnership, liquidate its assets, pay its liabilities, and wind up its business affairs, including the tax liquidation of the entity, in accordance with the terms set forth below;

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

## 1. DISSOLUTION OF THE PARTNERSHIP

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The Partners hereby agree that the Partnership is dissolved effective as of \_\_\_\_\_, 20\_\_\_\_\_ (the "Dissolution Date"). As of the Dissolution Date, the Partnership shall cease carrying on its normal business operations, except to the extent necessary to wind up its affairs, complete existing contracts, liquidate its assets, and satisfy its liabilities.

## 2. APPOINTMENT OF LIQUIDATING PARTNER

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The Partners hereby designate \_\_\_\_\_ as the "Liquidating Partner." The Liquidating Partner shall have the authority and duty to wind up the Partnership's affairs, collect all accounts receivable, liquidate the assets, pay or make provision for all debts and liabilities, and distribute any remaining assets in accordance with this Agreement and applicable law.

## 3. INVENTORY AND VALUATION OF ASSETS

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As soon as practicable after the Dissolution Date, a full and accurate inventory and accounting of all assets, liabilities, and capital accounts of the Partnership shall be prepared by \_\_\_\_\_. The valuation of assets shall be determined as of the Dissolution Date.

## 4. LIQUIDATION OF ASSETS AND ALLOCATION OF LIABILITIES

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- Payment of Creditors:** The liquidating funds shall first be applied to pay or provide for all debts, obligations, and liabilities of the Partnership to third parties, including taxes, outstanding bills, and loans.
- Partner Loans:** Any funds remaining after payment to creditors shall be used to pay any outstanding loans or advances made by any Partner to the Partnership.
- Capital Accounts:** Any remaining balance shall be distributed to the Partners in accordance with their positive capital account balances, after giving effect to all capital contributions, distributions, and allocations of income, gain, loss, or deduction for all taxable periods up to and including the date of distribution.

## 5. TAX LIQUIDATION AND TAX FILING REQUIREMENTS

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- Tax Characterization:** The dissolution and liquidation of the Partnership shall be treated as a liquidation for federal, state, and local tax purposes.
- Final Tax Returns:** The Liquidating Partner, at the expense of the Partnership, shall arrange for the preparation and timely filing of all final federal, state, and local tax returns (including IRS Form 1065 and corresponding Schedules K-1) for the tax year

ending on the final liquidation of the Partnership. The final tax returns shall be prepared by \_\_\_\_\_.

- 3. **Tax Liabilities:** Any tax liabilities, assessments, deficiencies, or audits arising from the operations of the Partnership prior to the Dissolution Date shall be borne by the Partners in proportion to their respective partnership interests during the applicable taxable period.
- 4. **Retention of Records:** All books, records, and tax documents of the Partnership shall be retained by \_\_\_\_\_ for a period of \_\_\_\_\_ years following the filing of the final tax returns, and shall be made available to any Partner upon reasonable request.

**6. MUTUAL RELEASE AND INDEMNIFICATION**

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Except for the obligations arising under or preserved by this Agreement, each Partner, on behalf of themselves, their heirs, executors, administrators, and assigns, hereby fully and forever releases and discharges the other Partners and the Partnership from any and all claims, demands, liabilities, actions, or causes of action of any kind arising out of or in connection with the Partnership, its business operations, or the Partnership Agreement.

**7. GOVERNING LAW**

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This Agreement shall be construed, interpreted, and governed by the laws of the State of \_\_\_\_\_, without giving effect to any principles of conflicts of law.

**8. ENTIRE AGREEMENT**

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This Agreement constitutes the entire agreement among the Partners regarding the dissolution and tax liquidation of the Partnership and supersedes all prior agreements, understandings, or representations, whether written or oral, relating to the subject matter hereof.

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

\_\_\_\_\_  
Partner 1 Signature  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Partner 2 Signature  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Partner 3 Signature  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_