

**NOTICE:**

This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

*(This notice is required by A.R.S. § 41-1091(B).)*

**NOTICE OF SUBSTANTIVE POLICY STATEMENT**

**DEPARTMENT OF ECONOMIC SECURITY**

1. **Title of the substantive policy statement and the substantive policy statement number by which the policy statement is referenced:**

Unemployment Insurance Tax: Limited Partner's Services. The substantive policy statement number is 17P-C093.

2. **Date the substantive policy statement was issued and the effective date of the policy statement if different from the issuance date:**

The substantive policy statement was issued and will become effective upon filing with the Office of the Secretary of State.

3. **Summary of the contents of the substantive policy statement:**

The substantive policy statement describes the Department's rationale and treatment of a limited partner for the purpose of coverage under the Unemployment Insurance Program.

4. **Federal or state constitutional provision; federal or state statute, administrative rule, or regulation; or final court judgment that underlies the substantive policy statement:**

A.R.S. § § 23-614 (A); 23-622 (A); 23-613.01 (A); 29-301(5) and (6); 29-601 (12) and 29-1031 (H)

**5. Statement as to whether the substantive policy statement is a new statement or a revision:**

This is a new substantive policy statement.

**6. Name, address and telephone number of the person to whom questions and comments about the substantive policy statement may be directed:**

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Policy Statement  
Number: 17P-C093  
Unemployment Insurance Tax  
Date Issued: May 19, 2010

### SUBJECT

A limited partner 's services.

### AUTHORITY

Arizona Revised Statute (A.R.S.) § 23-614 (A) defines an employing unit as “an individual or type of organization, including a partnership, association, trust, estate, joint-stock company, insurance company or corporation...” Although the definition of employing unit does not specifically mention LLCs or LLPs the phrase “type of organization” is broadly defined to encompass these types of business entities.

A.R.S. § 29-301 (5) and (6) define the terms “general partner” and “limited partner.” A “general partner” is defined as “a person who has been admitted to a limited partnership as a general partner in accordance with the partnership agreement and named in the certificate of limited partnership as a general partner,” and a “limited partner” is defined as “a person who has been admitted to a limited partnership as a limited partner in accordance with the partnership agreement.”

Generally, a limited partner provides financial backing, has no managerial role, and has no personal liability for any debts, whereas a general partner is responsible for managing the business and has personal liability for all debts. IRS (available at <<http://www.irs.gov>> (accessed November 2, 2009).

A.R.S. § 29-1031 (H) provides in relevant part: “A partner is not entitled to remuneration for services performed for the partnership, except for reasonable compensation for services rendered in winding up the business of the partnership.”

A.R.S. § 23-613.01 (A) defines employment as “any individual who performs services for an employing unit and who is subject to the direction, rule, or control of the employing unit as to both the method of performing or executing the services and the result to be effected or accomplished...”

A.R.S. § 23-622 (A) defines wages as “all remuneration for services from whatever source including commissions, bonuses and fringe benefits and the cash value of all remuneration in any medium other than cash.”

## DISCUSSION AND CONCLUSION

A limited partner who performs services of a managerial nature for the partnership will lose his or her status as a limited partner and become a general partner, but the individual would still not be an employee of the partnership for Arizona Unemployment Insurance Tax purposes.

If the limited partner, however, performs services of a non-managerial nature, then the individual would be an employee of the partnership pursuant to A.R.S. § 23-613.01 because the individual is performing services for the partnership under the direction and control of the partner(s) and, therefore, remuneration received would be reportable as wages.

## REFERENCES

A.R.S. §§ 23-614 (A); 23-622 (A); 23-613.01 (A); 29-301 (5) and (6); 29-601 (12) and 29-1031 (H).

## AGENCY RECEIPT

### NOTICE OF SUBSTANTIVE POLICY STATEMENT

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