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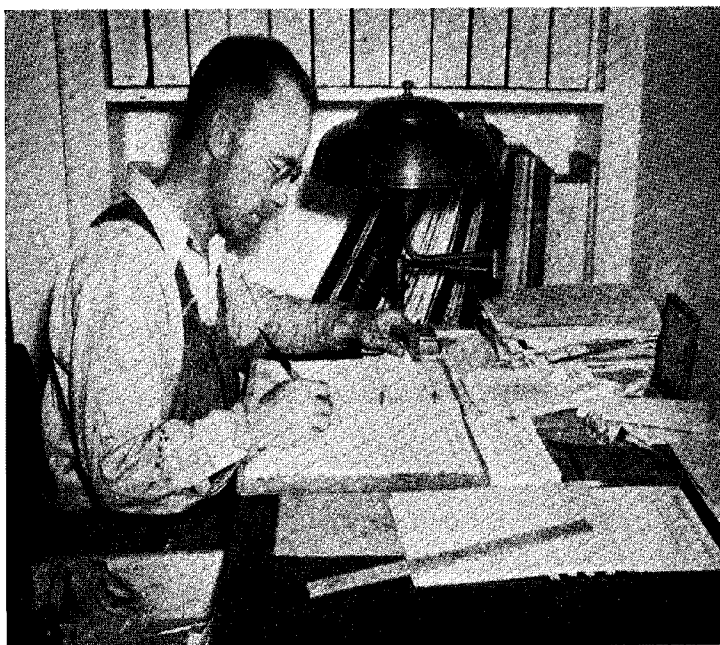


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# Suggestions to New York Farmers on Making Federal and State Income-Tax Returns

J. N. Efferson, Arno Hangas, and V. B. Hart



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## SUGGESTIONS TO NEW YORK FARMERS ON MAKING FEDERAL AND STATE INCOME-TAX RETURNS

J. N. EFFERSON, ARNO HANGAS, AND V. B. HART<sup>1</sup>

**T**HE PURPOSE of this publication is to help New York farmers to make satisfactory Federal and State income-tax returns on their 1941 operations. This publication is not intended as a substitute either for careful reading of the instructions printed on income-tax blanks or for consultation with Federal and State income-tax officials. The authors think that if this publication is carefully studied in connection with the instructions printed on the income-tax forms farmers will be able to make satisfactory Federal and State income-tax returns. No moral, financial, or legal responsibility, however, is assumed by the authors for actions based on their interpretations or suggestions. Such responsibility must rest with the individual.

The making of a personal income-tax return is to a large extent an individual matter. General rules may be presented concerning the usual items of farm receipts and expenses. No such guides, however, will tell a farmer exactly what should be done with some of the unusual items in an individual farm business. Decisions concerning those items must be based on the judgment of the individual concerned and on that of the income-tax officials. Moreover, the laws covering income taxes may be changed from year to year, and decisions of the courts and new interpretations of existing laws may effect changes in the treatment of certain items.

Copies of this publication may be obtained by residents of New York State at the offices of county agricultural agents or from the Extension Service of the New York State College of Agriculture, Ithaca, New York.

### THE FEDERAL INCOME TAX

#### Requirements for Making a Return

##### 1. Who makes a Federal income-tax return?

A single person or an estate with a gross income of at least \$750.

A married person living with husband or wife if his gross income or the gross income of both is at least \$1500.

##### 2. What is meant by gross income?

In general, the gross income of a farmer is his total income from all sources. The gross income of a farmer includes all receipts from the sale

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of livestock and produce raised on the farm, profits from purchased livestock or produce sold, plus any other income, such as Agricultural Conservation payments and pay for work done off the farm.

**3. If husband and wife have separate incomes, must two returns be filed?**

No. A joint return may be made. If they prefer, each may make a return, in which case the personal exemption of \$1500 may be divided between them in any proportion they choose.

**4. Does every person filing a return pay a tax?**

No. His personal exemption may equal his net income. Or, if the return has been filed because of the size of his gross income, the deduction of business expenses may leave a net income less than the amount of the personal exemption, or may even absorb the entire gross income.

**5. Is the tax paid on gross income?**

No. It is paid on net income.

**6. What is meant by net income?**

Net income (line 18, form 1040) is that part of the gross income remaining after certain deductions permitted by law have been made, chief of which are business expenses.

**7. For what period is the return made?**

Most persons report for the calendar year. A person may report for the fiscal year. The fiscal year chosen may end in any month, but must end on the last day of that month.

**8. When is the return due, and what report forms are needed?**

The Federal return is due two and one-half months after the close of the year, calendar or fiscal, for which the return is made. If the report is made on the calendar year, the return is due on March 15.

Copies of Federal form 1040 and Federal form 1040F are needed by a farmer for making his Federal return.

**9. What is the penalty for not filing a return?**

Instructions on Federal form 1040 say: "Severe penalties are imposed for failing to file a required return, for late filing, and for filing a false or fraudulent return."

**10. Where may the Federal income-tax report forms be obtained?**

From the Bureau of Internal Revenue, Washington, D. C., or from one of its district offices. District offices in New York are in the following cities:

Albany	Jamestown	Syracuse
Binghamton	New York	Utica
Buffalo	Rochester	Watertown
Elmira		

In addition, most of the smaller cities have local offices during the period when the most returns are being made.

**11. What Federal income-tax forms and how many copies of each does a farmer need?**

A farmer **must** use form 1040. He must also use form 1040F if he reports on a **cash basis**, and may use it if he reports on an accrual basis. Form 1040F is specially designed for reporting farm income. The net income from the farm business as computed on this form is transferred to form 1040, which includes other items of income and deductions, and thus gives the complete account of the farmer's income for the year.

It is suggested that a farmer obtain 3 copies of Federal form 1040F and 2 copies of Federal form 1040. One copy of each is to be filed with the Collector of Internal Revenue and one copy of each is to be retained by the farmer for his reference. The third copy of 1040F is for use in case the farmer has to make a State income-tax return.

**Which Basis Should a Farmer Use, Cash or Accrual?**

**12. What is meant by a return on a cash basis?**

A return on a **cash basis** includes all cash income received and all allowable expenses paid during the year, regardless of the time the income was earned or the expenses were incurred.

**13. What is meant by a return on an accrual basis?**

A return on an **accrual basis** includes all income earned and all allowable expenses incurred for the taxable year, regardless of whether the income or the expenses were cash or credit.

**14. What is the major difference in reporting on the cash and on the accrual basis?**

On a **cash basis**, gross income includes all cash received during the taxable year from sales of farm products that year or any other year, but does not include products sold on credit or changes in the inventory value of livestock and farm produce on the farm. The allowable business expenses include all expenses paid in cash during the year, for that year or any other year, but do not include expenses incurred and not paid.

On an **accrual basis**, gross income includes all income received or earned during the taxable year, from **that year's business only**, from cash sales,

from increases in the inventory value of livestock, supplies, and produce, plus any other income earned but not received. The allowable business expenses include all expenses for **that year's business only**, regardless of whether these expenses were paid, or incurred and unpaid.

If a return is made on a cash basis, pages 1 and 3 of form 1040F are filled in; if the report is made on an accrual basis, pages 2 and 3 are filled in.

**15. What farm records are needed to report on a cash basis?**

A classified list of farm cash receipts and farm cash expenses and inventories of buildings, fences, machinery, and tools, for the purpose of estimating the amount of depreciation.

**16. What farm records are needed to report on an accrual basis?**

The same records as for the cash basis, with the addition of accounts receivable, accounts payable, and a **complete** inventory of all farm property, including inventories of livestock, grain, hay, and other farm products and supplies.

**17. May a farmer shift from the cash to the accrual basis, or from the accrual to the cash basis?**

Yes, provided the permission of the Commissioner of Internal Revenue is obtained and the proper adjustments are made, but he cannot continue to shift back and forth from year to year.

**18. Is the net farm profit the same on the cash as on the accrual basis?**

Not in any one year, but over a period of years, the net farm profit will tend to be the same by the two methods.

**19. Is the amount of the tax the same on the cash as on the accrual basis?**

Not necessarily, because in any one year the incomes reported by these methods are likely to differ.

**20. Why may a wide variation in income from year to year result in a higher tax to be paid than if the same income were distributed more evenly from year to year?**

Because the income each year is taxed separately. If net income one year does not equal allowable deductions for personal exemptions and credit for dependents, the balance cannot be carried forward and used to reduce a taxable balance in later years.

**21. In reporting for the first time, which basis should a farmer use?**

Many farmers do not keep enough inventory records of feeds, supplies, livestock, and equipment, or detailed enough records of accounts receivable

and accounts payable so that the return can be made on the accrual basis. For such farmers, the only basis that can be used is the cash basis.

Farmers who have a relatively uniform cash farm income year after year will find it easier to file the return on the cash basis than on the more complicated accrual basis.

Farmers who have been keeping enough records, and who have a type of business in which cash crops may be stored, or who produce crops, or operate livestock enterprises requiring more than one year for realization of income, may find it to their advantage to file the return on the accrual basis to prevent wide fluctuations in income from year to year.

**22. Which basis for reporting should a farmer plan to use over a period of years?**

Farmers having a relatively constant cash income from year to year will find it more desirable to make their returns on a cash basis rather than on an accrual basis because of the detailed inventory records required to file a return on the accrual basis.

Growers of fruit, cabbage, potatoes, or other crops that may be stored into the next tax-reporting period may find it desirable to keep enough records so that the annual income-tax return can be made on an accrual basis, in order to equalize tax payments from year to year. This may apply also to growers of nursery stock and to livestock raisers who may sell the production of more than one year during one tax-reporting period.

**23. What system of records should a farmer adopt in order to collect the facts needed to file his 1941 income-tax return?**

A system of records and accounts started now will be of little service in supplying documentary evidence in support of 1941 income-tax returns, but can be used to good advantage to assemble the items of information needed to make the 1941 statement of farm income and expenses.

**24. What record books are available that will be of use in filing income-tax returns in future years?**

The "Farm Cash Account Book" and the "Farm Inventory for Five Years," published by the New York State College of Agriculture, are available to New York farmers at 10 cents a copy. A farmer starting early in 1942 and keeping these books throughout the year will have enough data to file his income-tax return on either the cash or the accrual basis at the end of 1942. In addition, such records supply much valuable information to help in the management and planning of the farm business and are likely to be even more important for income-tax purposes next year.

### Steps in Making the Federal Income-Tax Return

#### 25. How should a farmer go about making the Federal income-tax return?

Get 2 copies of Federal form 1040 and 3 copies of Federal form 1040F.

Assemble all the various records that are available concerning the farm business for the year, including cancelled checks, check books, bills or statements, receipts, milk-check stubs, barn-door records, and the like.

Decide on which basis the report is to be made.

Read carefully all instructions on forms 1040 and 1040F and underline all items that apply to his business or personal affairs.

Study the directions given for the items underlined.

Study the rest of this bulletin.

Fill in one set of forms 1040 and 1040F in pencil so that erasures can easily be made.

Check the figures carefully, noting the accuracy of each. Recompute all calculations. Note whether he has answered all questions. Remember that the Federal auditor will check the return carefully, and that it saves time and trouble to submit a correct return.

Make ink copies of both form 1040 and 1040F. Keep one copy of each form, as they may be needed to complete a state income-tax return. They may be useful also in answering questions about the Federal return, and will be needed in preparing the 1942 income-tax return.

### Making the Federal Income-Tax Return on the Cash Basis

#### 26. What items are included in farm income when reporting on the cash basis?

Farm income for tax purposes on the cash basis is the sum of four groups of items:

(1) The amount of cash or the value of merchandise or other property received from the sale of livestock raised during the taxable year or in prior years.

(2) The same for livestock products, crops, and other farm products raised or produced and sold.

(3) Other farm income.

(4) The profits from the sale of any livestock or other farm products which were purchased.

#### 27. What items should be included as income from sale of livestock raised (table 1, page 1, form 1040F)?

All ordinary farm sales of livestock made during the tax year, including both livestock raised and that purchased for farm purposes.

**28. What items should be included as income from sale of produce raised (table 2, page 1, form 1040F)?**

All crops and livestock products produced and sold for cash during the year or traded for groceries or other products. If crops are produced during the year and stored, receipts from them are not reported until the year the crop was sold.

**29. What items should be included under other farm income?**

On the cash basis, other farm income includes all miscellaneous cash receipts from such items as AAA payments, machine work, hire of teams, breeding fees, work off the farm, and the like.

**30. What items should be included under income from sale of livestock and other items purchased (table 4, page 1, form 1040F)?**

Table 4 on page 1 of form 1040F is principally for use by farmers who are also cattle dealers, local agents for feed and fertilizer, and the like, and for others, for reporting profits made in dealing in cattle or other products purchased for resale. (Livestock bought and sold as a part of the farm business, such as dairy-cow replacements bought and surplus or cull cows sold, should be reported in table 1, page 1, form 1040F and under farm expenses on page 3 of 1040F.)

**Making the Federal Income-Tax Return on the Accrual Basis**

**31. How does this procedure differ from making the return on the cash basis?**

The gross income on the accrual basis includes all income received or earned during the taxable year **from that year's business only**. This income includes cash sales of farm products, income earned but not received, and increases in the inventory value of livestock, supplies, and other farm products.

The allowable business expenses include all expenses incurred during the taxable year **for that year's business only**, regardless of whether these expenses were paid in cash or incurred and unpaid.

**32. Are the rules and regulations for making the return on the accrual basis different in other ways?**

No. The principal difference is in the type of records needed to report on each basis.

**33. Where does a farmer reporting on the accrual basis report income from the sale of crops and livestock products?**

On page 2, form 1040F, in the table headed "Farm Inventory."



- 34. If apples are sold in December, 1941, and the buyer pays \$50 down, promising to pay the balance of \$100 in January, 1942, what receipts should be reported for this transaction for 1941?**

If reporting on the cash basis, \$50, and the other \$100 will be reported next year when it is received.

If reporting on the accrual basis, \$150. If the buyer does not pay the remaining \$100 due for the apples, an allowance of \$100 for bad debts may be claimed to reduce the income reported in some future year.

### Farm Expenses

(For reporting on either cash or accrual basis)

- 35. What farm expenses are allowable (page 3, form 1040F) as deductions in arriving at the net farm profit?**

In general, all expenses necessary to the operations of the farm as a business enterprise are allowable as deductions in arriving at the net farm profit. These expenses include hired labor, feed, fertilizer, seed, gas and oil, taxes and insurance paid on farm property (but not on farmer's dwelling), interest paid on mortgages and notes arising out of the farm business, cash rent paid, and depreciation on farm buildings, machinery, and equipment.

- 36. Must farm expenses be classified according to the headings on page 3 of form 1040F?**

No. These headings are merely suggestions. If desired, the farm expenses may be classified as the farmer has them in his records.

- 37. Is the farm home regarded as part of the farm business?**

No. Expenses for the farm home, such as taxes and insurance on the farmer's dwelling and contents, and expenses for groceries, clothing, and the like, are not deductible.

Taxes and insurance paid on farm real estate, aside from that part considered as covering the farm home, are deductible expenses.

- 38. Should the value of a farmer's own labor or that of his wife or dependent minor children be reported as an expense?**

No. The value of the work of the operator and wife is not allowed as an expense. If a minor child is paid a wage, this wage is allowable, but the \$400 exemption for this child should not be claimed. The value of the work of older children is allowable only when actually paid as wages.

- 39. May wages paid to hired labor be deducted?**

Yes.

**40. Is the cost of operating an automobile a deductible expense?**

Only that part that is chargeable to the farm business.

**41. Does the treatment of depreciation on farm buildings, machinery, and equipment differ between the cash and accrual basis of reporting?**

No. The table on page 3, form 1040F, "Repairs and Depreciation" should be filled out in the same manner whether the return is on the cash or on the accrual basis.

**42. How should depreciation be calculated?**

A useful procedure in preparing the first income-tax return is the following:

Record, on a piece of scratch paper, the total value of the real estate at the time it was acquired, using cost if purchased and market value if inherited. If acquired before March 1, 1913 (the date the income-tax law first became effective), use the market value on that date, or the original cost less depreciation that occurred on buildings and other improvements from date acquired to March 1, 1913. It is to the taxpayer's advantage to use the larger of these two figures.

Apportion the total value of the real estate to the land, the dwelling house, other farm buildings, fences, and drains. Depreciation cannot be claimed on land or the farm home but can be claimed on barns and other farm buildings, and on fences and drains.

Record, on a piece of scratch paper, the present value and original cost of the different larger pieces of farm equipment, such as tractors, trucks, automobiles (farm share only), and the present value of the total of all other farm equipment. Then record on scratch paper the value of these items at the beginning of the taxable year. Values used should be taken from farm-inventory records if available; if no inventories are available, estimates may be used. Cost accounts kept by New York farmers indicate that the annual depreciation on the average lot of farm equipment, some old and some new, is about 10 per cent per year of the inventory value at the beginning of the year.

The farmer is now ready to fill out the depreciation schedule on page 3 of form 1040F. Proceed as follows:

First list the different items such as barns, fences, drains, tractors, and other machinery, in column 1 of the depreciation schedule.

Enter in column 2 the dates the buildings and larger pieces of farm equipment were acquired. No date is necessary for the item of "all other farm equipment."

Transfer from scratch paper to column 3 the original cost or original value for buildings, fences, and the like, and also similar figures for

the larger pieces of farm equipment. For "all other farm equipment," use the inventory value at the beginning of the taxable year.

Enter no entries in column 4 unless there are items on hand which have been fully depreciated in previous tax returns.

List in column 6 the value of all items at the beginning of the taxable year. Subtract the different items in column 6 from corresponding items in column 3, and enter the differences in column 5 (depreciation allowed or allowable in previous years).

Enter in column 7 estimates of the **total** length of life for buildings, fences, and the like, and also for the larger pieces of equipment. It is not necessary to do this for "all other farm equipment."

Enter in column 8 for all items except "all other farm equipment" the years of life remaining at the beginning of the taxable year.

Enter in column 9 the "depreciation allowable this year." Calculate this for buildings, fences, and the like, and also for the larger pieces of equipment by dividing items in column 3 (cost) by column 7 (total years of life). For "all other farm equipment," use the difference between the value at the beginning of the taxable year (column 6) and the value at the end of the year as recorded on scratch paper.

For the benefit of persons who have filed returns in previous years, items in columns 1, 2, 3, and 7 in the depreciation table should be the same each year, except for the addition of new items or for the omission of items which have been destroyed or completely depreciated.

Repairs are annually recurring expenses. They are to be distinguished from capital improvements of long life such as a new building or a new tractor. Thus a coat of paint on a barn or a plow point is a repair, and hence an expense; but a new shed or a tractor purchased is a capital improvement and should be listed in the first column as subject to depreciation.

### Farm Income

- 43. Should income from non-farm sources, such as interest on a savings deposit or for appraisal work be reported?**

Yes, but not on the farm blank. This income should be included in lines 1 to 9, form 1040.

- 44. Should the value of farm products consumed in the household be reported as income?**

No. Nor should the cost of producing these products be included in the expenses.

- 45. If eggs or other farm produce are traded for merchandise, is the value of the merchandise regarded as income?**

Yes.

46. **If an insurance company pays a farmer for a hail loss on a fruit crop, must he include this sum in his income?**

Yes.

47. **How is an insurance payment for a fire loss on farm property treated?**

It is included in the calculation of depreciation.

#### **Computing the Federal Tax on Form 1040**

48. **Where should the net income from the farm business (line 6, form 1040F) be entered?**

On form 1040, line 8.

49. **What types of items are deductible from gross income on form 1040?**

Contributions to organized charitable and religious organizations, interest on personal indebtedness, certain taxes not previously deducted on form 1040F, bad debts, and losses not previously deducted as farm expenses.

50. **What taxes are deductible?**

Some taxes such as county, town, and school taxes on the farm property are deductible as farm expenses on form 1040F. The farm share of the automobile license and state gasoline tax paid is deductible as a farm expense. Other taxes, such as the personal share of the automobile license and the state gasoline tax, are deductible from the gross income on form 1040. Special assessments on real estate, such as drainage or paving taxes, may not be deducted in either case. Inheritance, estate, and gift taxes likewise are not deductible, but the amount of any inheritance or gift is not included in income for purposes of taxation.

51. **May income taxes paid during the past year be deducted in computing net income?**

State income taxes can be deducted but Federal cannot.

52. **What losses are deductible?**

Actual losses of property in the farm business by fire, flood, and the like are deductible as farm expenses. Non-farm property losses by fire, theft, and the like are deductible from the gross income on the individual income-tax return (form 1040).

53. **May any losses on the farm business in previous years be deducted when computing the 1941 net income on form 1040?**

Yes. Losses on the farm business may be carried forward for two years,

provided they can be substantiated by income-tax returns filed in previous years or by other records. For example: If income-tax returns filed previously show that a farmer's "net operating profit" (form 1040F) in 1939 was minus \$2200 and plus \$1000 in 1940, the difference of \$1200 between the loss of \$2200 in 1939 and the gain of \$1000 in 1940 may be used to reduce the net income in 1941.

**54. What deductions from "net income" can a farmer make in determining income subject to the surtax (lines 20 and 21, form 1040)?**

The principal ones are personal exemptions and credit for dependents.

**55. What are the "personal exemptions"?**

Single person, \$750.

Married person, \$1500.

**56. What are "credits for dependents"?**

\$400 for each child under eighteen years of age.

\$400 for each adult incapable of self-support because mentally or physically defective.

**57. What deductions from "net income" can a farmer make in determining income subject to the normal tax (lines 20, 21, and 24, form 1040)?**

The principal ones are personal exemptions, credit for dependents, and the earned-income credit.

**58. What is the "earned income credit" of a farmer (schedule E and line 24, form 1040)?**

The earned income credit is 10 per cent of any net income (line 18, form 1040) up to \$3000.

For net incomes of more than \$3000, the earned income credit is 10 per cent of the net income, or 10 per cent of the "earned net income" (question 60), whichever is less. The earned income credit for net incomes of more than \$3000 is subject to limitations: it cannot be less than \$300 nor more than \$1400.

**59. What is the "earned income" of a farmer?**

Payments for personal services not done in connection with the farm business (such as AAA committee or checking work), plus not more than 20 per cent of the net farm profit as transferred from form 1040F.

**60. What is "earned net income"?**

"Earned net income" is earned income less certain allowable deductions, such as travel expenses in connection with work done off the farm, as AAA work, jury duty, and the like.

**61. What is the normal income-tax rate?**

Four per cent. This rate applies to that portion of the net income remaining after the deductions listed in question 57 are taken. It is always the same, regardless of the size of the income tax.

**62. What is the surtax net income?**

The surtax net income is net income less the deductions listed in question 54 (page 13). It is the amount on which the surtax is levied.

**63. What are the surtax rates?**

The rates of the surtax, or additional tax, are variable, depending on the amount of net income subject to this levy. The lowest rate, 6 per cent, is laid on the first \$2000 of net income remaining after subtraction of the personal exemption, and credit for dependents.

For larger incomes, the surtax is increased according to brackets or steps based on the size of the income. The highest of these brackets is 77 per cent, which is imposed on income in excess of \$5,000,000.

**Federal Income-Tax Returns for Farmers Who Are Partners****64. Do farm partnerships report farm and taxable income on the same forms as individuals?**

No. The individual partners use forms 1040 and 1040F, but the partnership reports on form 1065. This form 1065 is simply for information as to how the income is distributed between the partners.

**65. How is the farm-partnership income computed?**

In the same way as any farm income. Form 1040F may be used on either the cash or accrual basis and attached to the partnership schedule to show income from farming.

**66. How is the "earned income credit" distributed between partners?**

Each partner may claim 20 per cent of his share of the income from the partnership as earned income in addition to any salaries or wages from other sources.

**Method of Paying Federal Income Tax****67. When and how must the Federal income tax be paid.**

Instructions for Federal form 1040 say: "Pay in cash at collector's office or by check or money order payable to 'Collector of Internal Revenue.' Pay in full with return or in four equal installments, on or before the 15th day of the 3d, 6th, 9th, and 12th month from close of taxable year."

**THE NEW YORK STATE INCOME TAX**

**A**LTHOUGH modeled on the Federal statute, the New York State income-tax requirements, insofar as farmers are concerned, differ in three important respects from those of the Federal: (1) The personal exemptions for the State tax are much higher than those for the Federal. (2) The rate of tax is lower and less steeply graduated than the Federal schedule. (3) The State law provides for no earned income credit.

**68. Is the New York return difficult to make?**

No. Any farmer who has made a Federal income-tax return will have little difficulty in completing the New York State return.

**69. What forms does a farmer use in making his State return?**

Every farmer must file a copy of State form 201, which is comparable to Federal form 1040. Every farmer must report also his farm business by filing either State form 207 (if reporting on a cash basis) or Schedule A of State form 201 (if reporting on an accrual basis); or he may substitute a copy of the Federal form 1040F for either of the State farm schedules (schedule A of 201 or form 207).

**70. Who makes a state return?**

Any person with a gross income of \$5000 or more.

A single person whose net income is \$1000 or more.

A married person whose net income is \$2500 or more.

**71. What is meant by gross income of a farmer?**

For all practical purposes this is the same as that used in computing the Federal tax. (See question 2, page 2.)

**72. What is meant by net income in computing the state tax?**

Practically the same as that for Federal.

**73. How does the net income of a farm business for income taxation under the New York law differ from the net income under the Federal law.**

There is no difference.

**74. When is the State return due?**

Three and one-half months after the close of the year, calendar or fiscal, for which the return is made. April 15, if the report is for the calendar year.

**75. Where may the report forms be obtained?**

From the State Department of Taxation at Albany, or at a district office, or from local banks.

**76. How do partnerships report?**

Partnerships use form 204 to submit an information return. This information serves as a basis for the income reported by each individual partner on form 201.

**THE NEW YORK STATE UNINCORPORATED BUSINESS TAX**

**77. What is the New York State unincorporated business tax?**

A tax, in addition to the personal income tax, levied on the net income of businesses, including farm enterprises, with gross incomes of more than \$10,000 or net income of more than \$5000.

The rate of the unincorporated business tax is 4 per cent, but an exemption of \$5000 plus an allowance for the personal service of the proprietor or partner is granted, thus the usual farm business is not subject to this tax.

State form 202 is used for making a return for the unincorporated business tax.

**78. In case of a partnership, who pays the unincorporated business tax?**

It is paid by the partnership.