

INCOME TAX ACT OF 1967 (EXCERPT)

Act 281 of 1967

CHAPTER 20

206.801 Meanings of terms; other provisions.

Sec. 801. A term used in this part and not defined differently shall have the same meaning as when used in comparable context in the laws of the United States relating to federal income taxes in effect for the tax year as provided in section 805(5) unless a different meaning is clearly required. A reference in this part to the internal revenue code includes other provisions of the laws of the United States relating to federal income taxes.

History: Add. 2021, Act 135, Imd. Eff. Dec. 21, 2021.

Compiler's note: Enacting section 1 of Act 135 of 2021 provides:

"Enacting section 1. This amendatory act is retroactive and intended to apply retroactively effective for tax years beginning on and after January 1, 2021."

206.803 Definitions; B to E.

Sec. 803. (1) "Business activity" means a transfer of legal or equitable title to or rental of property, whether real, personal, or mixed, tangible or intangible, or the performance of services, or a combination thereof, made or engaged in, or caused to be made or engaged in, whether in intrastate, interstate, or foreign commerce, with the object of gain, benefit, or advantage, whether direct or indirect, to the taxpayer or to others, but does not include the services rendered by an employee to his or her employer, services as a director of a corporation or S corporation, or services as a manager of a limited liability company that has elected to file as a C corporation or S corporation for federal income tax purposes.

(2) "Business income" means federal taxable income and includes payments and items of income and expense that are attributable to business activity of the flow-through entity and separately reported to its members.

(3) "Corporation" means a person that is required or has elected to file as a C corporation as defined under section 1361(a)(2) and section 7701(a)(3) of the internal revenue code.

(4) "Department" means the department of treasury.

(5) "Domicile" means the principal place from which the trade or business of the flow-through entity is directed or managed.

(6) "Employee" means an employee as defined in section 3401(c) of the internal revenue code. A person from whom an employer is required to withhold for federal income tax purposes is prima facie considered an employee.

(7) "Employer" means an employer as defined in section 3401(d) of the internal revenue code. A person required to withhold for federal income tax purposes is prima facie considered an employer.

History: Add. 2021, Act 135, Imd. Eff. Dec. 21, 2021.

Compiler's note: Enacting section 1 of Act 135 of 2021 provides:

"Enacting section 1. This amendatory act is retroactive and intended to apply retroactively effective for tax years beginning on and after January 1, 2021."

206.805 Definitions; F to M.

Sec. 805. (1) "Federal taxable income" means taxable income as defined in section 63 of the internal revenue code without the deductions described under section 703(a)(2) of the internal revenue code. For the purposes of this part in computing federal taxable income, an S corporation shall be treated as a corporation under section 1361(a)(2) of the internal revenue code and a partnership shall be treated as an association taxable as a corporation pursuant to an election under 26 CFR 301.7701-3(a).

(2) "Financial institution" means that term as defined in section 651.

(3) "Flow-through entity" means an entity that for the applicable tax year is treated as an S corporation or a partnership under the internal revenue code for federal income tax purposes. Flow-through entity does not include a publicly traded partnership, any entity disregarded or treated as a corporation under section 845, or any person subject to the tax imposed under chapter 13.

(4) "Insurance company" means that term as defined in section 607.

(5) "Internal revenue code" means the United States internal revenue code of 1986 in effect on January 1, 2021 or, at the option of the taxpayer, in effect for the tax year.

(6) "Member", when used in reference to a flow-through entity, means a shareholder of an S corporation or a partner or member in a partnership.

History: Add. 2021, Act 135, Imd. Eff. Dec. 21, 2021;—Am. 2024, Act 177, Imd. Eff. Dec. 23, 2024.

Compiler's note: Enacting section 1 of Act 135 of 2021 provides:

"Enacting section 1. This amendatory act is retroactive and intended to apply retroactively effective for tax years beginning on and after January 1, 2021."

206.807 Definitions; P to S.

Sec. 807. (1) "Partnership" means an entity that is required to or has elected to file as a partnership for federal income tax purposes. Partnership includes a limited liability company that is treated as a partnership for federal income tax purposes.

(2) "Person" means an individual, bank, financial institution, insurance company, association, corporation, flow-through entity, receiver, estate, trust, or any other group or combination of groups acting as a unit.

(3) "Publicly traded partnership" means that term as defined under section 7704 of the internal revenue code.

(4) "S corporation" means a United States person electing taxation under sections 1361 to 1379 of the internal revenue code.

(5) "Sale" or "sales" means that term as defined in section 20.

(6) "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country, or a political subdivision of any of the foregoing.

History: Add. 2021, Act 135, Imd. Eff. Dec. 21, 2021.

Compiler's note: Enacting section 1 of Act 135 of 2021 provides:

"Enacting section 1. This amendatory act is retroactive and intended to apply retroactively effective for tax years beginning on and after January 1, 2021."

206.809 Definitions; T to U.

Sec. 809. (1) "Tax" means the tax imposed under this part, including interest and penalties under this part, unless the term is given a more limited meaning in the context of this part or a provision of this part.

(2) "Tax year" means the calendar year, or the fiscal year ending during the calendar year, upon the basis of which the tax base of a taxpayer is computed under this part. If a return is made for a fractional part of a year, tax year means the period for which the return is made. Except for the first return required by this part, a taxpayer's tax year is for the same period as is covered by its federal income tax return. A taxpayer that has a 52- or 53-week tax year beginning not more than 7 days before the end of any month is considered to have a tax year beginning on the first day of the subsequent month.

(3) "Taxpayer" means a flow-through entity that elects pursuant to section 813 to be subject to the tax under this part.

(4) "United States person" means that term as defined in section 7701(a)(30) of the internal revenue code.

History: Add. 2021, Act 135, Imd. Eff. Dec. 21, 2021.

Compiler's note: Enacting section 1 of Act 135 of 2021 provides:

"Enacting section 1. This amendatory act is retroactive and intended to apply retroactively effective for tax years beginning on and after January 1, 2021."