

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.721 Definitions; partnership audits.**

Sec. 721.

As used in this chapter:

(a) "Administrative adjustment request" means an administrative adjustment request filed by a partnership under section 6227 of the internal revenue code.

(b) "Audited partnership" means a partnership subject to a partnership level audit resulting in a federal adjustment.

(c) "Corporate partner" means a partner, other than a unitary business group, that is subject to tax under chapter 11, including a partner that has unrelated business activity.

(d) "Direct partner" means a partner that holds an interest directly in a partnership or other flow-through entity.

(e) "Exempt partner" means a partner that is exempt from taxation under this act and does not have unrelated business activity.

(f) "Federal adjustment" means a change to an item or amount determined under the internal revenue code that is used by a taxpayer to compute tax liability under this act whether that change results from action by the IRS, including a partnership level audit, or the filing of an amended federal return, federal refund claim, or an administrative adjustment request by the taxpayer. A federal adjustment is positive to the extent that it increases tax due under this act and is negative to the extent that it decreases the tax due under this act.

(g) "Federal adjustments report" includes methods or forms required by the department for use by a taxpayer to report final federal adjustments, including an amended tax return or information return.

(h) "Federal partnership representative" means the person the partnership designates for the reviewed year as the partnership's representative, or the person the IRS has appointed to act as the federal partnership representative, pursuant to section 6223 of the internal revenue code.

(i) "Final determination date" means that term as defined in section 325.

(j) "Final federal adjustment" means a federal adjustment after the final determination date for that federal adjustment has passed.

(k) "Flow-through entity" means an entity that for the applicable tax year is treated as an S corporation under section 1362(a) of the internal revenue code, a general partnership, a limited partnership, a limited liability partnership, or a limited liability company, that for the applicable tax year is not taxed as a corporation for federal income tax purposes. Flow-through entity does not include any entity disregarded under section 699.

(l) "Indirect partner" means a partner in a partnership or other flow-through entity that itself holds an interest directly, or through another indirect partner, in a partnership or other flow-through entity.

(m) "IRS" means the Internal Revenue Service of the United States Department of the Treasury.

(n) "Nonresident partner" means an individual, estate, or trust partner that is not a resident partner.

(o) "Partner" means a person that holds an interest directly or indirectly in a partnership or other flow-through entity.

(p) "Partnership" means an entity subject to taxation under subchapter K of the internal revenue code.

(q) "Partnership level audit" means an examination by the IRS at the partnership level pursuant to sections 6221 to 6241 of the internal revenue code, which results in federal adjustments.

(r) "Resident" means that term as defined in section 18.

(s) "Resident partner" means an individual, estate, or trust that is a resident for the relevant tax year.

(t) "Reviewed year" means the tax year of a partnership that is subject to a partnership level audit from which a federal adjustment arises.

(u) "Taxpayer" means all of the following:

(i) Any person subject to the taxes imposed by part 1.

(ii) A corporation or unitary business group subject to a tax imposed by part 2. As used in this subparagraph, "corporation" means that term as defined in section 605.

(iii) A partnership subject to a partnership level audit or a partnership that has made an administrative adjustment request, as well as a tiered partner of that partnership.

(v) "Tiered partner" means any partner that is a partnership or other flow-through entity.

(w) "Unitary business group" means that term as defined in section 611.

(x) "Unrelated business activity" means that term as defined in section 611.

**History:** Add. 2022, Act 148, Imd. Eff. July 19, 2022

**Compiler's Notes:** Enacting section 1 of Act 148 of 2022 provides: "Enacting section 1. This amendatory act is retroactive and applies to all tax years that begin on and after January 1, 2018."