

1 AN ACT in relation to audits.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Civil Administrative Code of Illinois is
5 amended by adding Article 2510 as follows:

6 (20 ILCS 2510/Art. 2510 heading new)

7 ARTICLE 2510. CERTIFIED AUDIT PROGRAM

8 (20 ILCS 2510/2510-1 new)

9 Sec. 2510-1. Short title. This Article 2510 of the Civil
10 Administrative Code of Illinois may be cited as the Certified
11 Audit Program Law.

12 (20 ILCS 2510/2510-3 new)

13 Sec. 2510-3. Findings. The General Assembly finds that:

14 (1) Voluntary compliance is the cornerstone of an
15 effective tax system.

16 (2) Despite attempts by the General Assembly, State
17 taxes are not simple.

18 (3) Even the most diligent taxpayers through mistake or
19 inadvertence may not pay all taxes due.

20 (4) The Illinois Department of Revenue lacks the
21 resources to audit the compliance of all taxpayers.

22 (5) Illinois certified public accountants provide
23 valuable advice and assistance to Illinois taxpayers on State
24 tax issues.

25 (6) A pilot program establishing a partnership between
26 taxpayers, Illinois certified public accountants, and the
27 Illinois Department of Revenue will provide guidance to
28 taxpayers and enhance voluntary compliance.

1 (20 ILCS 2510/2510-5 new)

2 Sec. 2510-5. Definitions. As used in this Article:

3 "Certification program" means an instructional
4 curriculum, examination, and process for certification,
5 recertification, and revocation of certification of certified
6 public accountants that is administered by the Illinois CPA
7 Society and that is officially approved by the Department to
8 ensure that a certified public accountant possesses the
9 necessary skills and abilities to successfully perform an
10 attestation engagement for tax compliance review in a
11 certified audit project.

12 "Department" means the Illinois Department of Revenue.

13 "Participating taxpayer" means any person subject to the
14 revenue laws administered by the Department who enters into
15 an engagement with a qualified practitioner for tax
16 compliance review and who is approved by the Department under
17 the certified audit project.

18 "Qualified practitioner" means a certified public
19 accountant who is licensed to practice in Illinois and who
20 has completed the certification program. The phrase
21 "completed the certification program" means the participant
22 has met all requirements for the certified audit training
23 course, achieved the required score on the certification test
24 as approved by the Department, and has been certified by the
25 Department.

26 (20 ILCS 2510/2510-10 new)

27 Sec. 2510-10. Certified audit project.

28 (a) Subject to appropriation, the Department is
29 authorized to initiate a certified audit pilot project to
30 further enhance tax compliance reviews performed by qualified
31 practitioners and to encourage taxpayers to hire qualified
32 practitioners at their own expense to review and report on
33 their sales tax and use tax compliance. The nature of the

1 certified audit work performed by qualified practitioners
2 shall be agreed-upon procedures in which the Department is
3 the specified user of the resulting report.

4 (b) As an incentive for taxpayers to incur the costs of
5 a certified audit, the Department shall abate penalties and
6 interest due on any tax liabilities revealed by a certified
7 audit, except that this authority to abate penalties or
8 interest shall not apply to any liability for taxes that were
9 collected by the participating taxpayer but not remitted to
10 the Department nor shall the Department have the authority to
11 abate fraud penalties.

12 (c) The certified audit pilot project shall apply only
13 to occupation and use taxes administered and collected by the
14 Department.

15 (d) The certified audit pilot project shall not extend
16 beyond July 1, 2004.

17 (20 ILCS 2510/2510-15 new)

18 Sec. 2510-15. Practitioner responsibilities. Any
19 practitioner responsible for planning, directing, or
20 conducting a certified audit or reporting on a participating
21 taxpayer's tax compliance shall be a qualified practitioner.
22 For purposes of this Section, a practitioner is responsible
23 for:

24 (1) Planning a certified audit when performing work
25 that involves determining the objectives, scope, and
26 methodology of the certified audit, when establishing
27 criteria to evaluate matters subject to the review as
28 part of the certified audit, when gathering information
29 used in planning the certified audit, or when
30 coordinating the certified audit with the Department.

31 (2) Directing a certified audit when the work
32 involves supervising the efforts or reviewing the work of
33 others to determine whether it is properly accomplished

1 and complete.

2 (3) Conducting a certified audit when performing
3 tests and procedures or field audit work necessary to
4 accomplish the audit objectives in accordance with
5 applicable standards.

6 (4) Reporting on a participating taxpayer's tax
7 compliance in a certified audit when determining report
8 contents and substance or reviewing reports for technical
9 content and substance prior to issuance.

10 (20 ILCS 2510/2510-20 new)

11 Sec. 2510-20. Notification.

12 (a) A qualified practitioner shall notify the Department
13 of an engagement to perform a certified audit and shall
14 provide the Department with the information the Department
15 deems necessary to identify the taxpayer, to confirm that the
16 taxpayer is not already under audit by the Department, and to
17 establish the basic nature of the taxpayer's business and the
18 taxpayer's potential exposure to Illinois occupation and use
19 tax laws. The information provided in the notification shall
20 include the taxpayer's name, federal employer identification
21 number or social security number, Illinois business tax
22 number, mailing address, business location, and the specific
23 occupation and use taxes and period proposed to be covered by
24 the engagement for the certified audit. In addition, the
25 notice shall include the name, address, identification
26 number, contact person, and telephone number of the engaged
27 firm.

28 (b) If the taxpayer has not been issued a written notice
29 of intent to conduct an audit, the taxpayer shall be a
30 participating taxpayer and the Department shall so advise the
31 qualified practitioner in writing within 10 days after
32 receipt of the engagement notice. However, the Department may
33 exclude a taxpayer from a certified audit or may limit the

1 taxes or periods subject to the certified audit on the basis
 2 that the Department has previously conducted an audit, that
 3 it is in the process of conducting an investigation or other
 4 examination of the taxpayer's records, or for just cause.

5 (c) Notice of the qualification of a taxpayer for a
 6 certified audit shall toll the statute of limitations
 7 provided with respect to the taxpayer for the tax and periods
 8 covered by the engagement.

9 (d) Within 30 days after receipt of the notice of
 10 qualification from the Department, the qualified practitioner
 11 shall contact the Department and submit a proposed audit plan
 12 and procedures for review and agreement by the Department.
 13 The Department may extend the time for submission of the plan
 14 and procedures for reasonable cause. The qualified
 15 practitioner shall initiate action to advise the Department
 16 that amendment or modification of the plan and procedures is
 17 necessary in the event that the qualified practitioner's
 18 inspection reveals that the taxpayer's circumstances or
 19 exposure to the revenue laws is substantially different than
 20 as described in the engagement notice.

21 (20 ILCS 2510/2510-25 new)

22 Sec. 2510-25. Audit performance and review.

23 (a) Upon the Department's designation of the agreed-upon
 24 procedures to be followed by a practitioner in a certified
 25 audit, the qualified practitioner shall perform the
 26 engagement and shall timely submit a completed report to the
 27 Department. The report shall affirm completion of the
 28 agreed-upon procedures and shall provide any required
 29 disclosures.

30 (b) The Department shall review the report of the
 31 certified audit and shall accept it when it is determined to
 32 be complete. Once the report is accepted by the Department,
 33 the Department shall issue a notice of proposed assessment

1 reflecting the determination of any additional liability
 2 reflected in the report and shall provide the taxpayer with
 3 all the normal payment, protest, and appeal rights with
 4 respect to the liability, including the right to a review by
 5 the Informal Conference Board. In cases where the report
 6 indicates an overpayment has been made, the taxpayer shall
 7 submit a properly executed claim for refund to the
 8 Department. Otherwise, the certified audit report is a final
 9 and conclusive determination with respect to the tax and
 10 period covered. No additional assessment may be made by the
 11 Department for the specific taxes and period referenced in
 12 the report, except upon a showing of fraud or material
 13 misrepresentation. This determination shall not prevent the
 14 Department from collecting liabilities not covered by the
 15 report or from conducting an audit or investigation and
 16 making an assessment for additional tax, penalty, or interest
 17 for any tax or period not covered by the report.

18 (20 ILCS 2510/2510-30 new)

19 Sec. 2510-30. Rules. To implement the certified audit
 20 project, the Department shall have authority to adopt rules
 21 including, but not limited to:

22 (1) The availability of the certification program
 23 required for participation in the project;

24 (2) The requirements and basis for establishing
 25 just cause for approval or rejection of participation by
 26 taxpayers;

27 (3) Procedures for assessment, collection, and
 28 payment of liabilities or refund of overpayments and
 29 provisions for taxpayers to obtain informal and formal
 30 review of certified audit results;

31 (4) The nature, frequency, and basis for the
 32 Department's review of certified audits conducted by
 33 qualified practitioners, including the requirements for

1 documentation, work-paper retention and access, and
2 reporting; and

3 (5) Requirements for conducting certified audits
4 and for review of agreed-upon procedures.

5 Section 99. Effective date. This Act takes effect upon
6 becoming law.