

1 AMENDMENT TO SENATE BILL 1283

2 AMENDMENT NO. _____. Amend Senate Bill 1283, AS AMENDED,
3 by replacing everything after the enacting clause with the
4 following:

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

7 (20 ILCS 2510/Art. 2510 heading new)

8 ARTICLE 2510. CERTIFIED AUDIT PROGRAM

9 (20 ILCS 2510/2510-1 new)

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

13 (20 ILCS 2510/2510-3 new)

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

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

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

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

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

3 (5) Illinois certified public accountants provide
4 valuable advice and assistance to Illinois taxpayers on State
5 tax issues.

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

10 (20 ILCS 2510/2510-5 new)

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

12 "Certification program" means an instructional
13 curriculum, examination, and process for certification,
14 recertification, and revocation of certification of certified
15 public accountants that is administered by the Illinois CPA
16 Society and that is officially approved by the Department to
17 ensure that a certified public accountant possesses the
18 necessary skills and abilities to successfully perform an
19 attestation engagement for tax compliance review in a
20 certified audit project.

21 "Department" means the Illinois Department of Revenue.

22 "Participating taxpayer" means any person subject to the
23 revenue laws administered by the Department who enters into
24 an engagement with a qualified practitioner for tax
25 compliance review and who is approved by the Department under
26 the certified audit project.

27 "Qualified practitioner" means a certified public
28 accountant who is licensed to practice in Illinois and who
29 has completed the certification program. The phrase
30 "completed the certification program" means the participant
31 has met all requirements for the certified audit training
32 course, achieved the required score on the certification test
33 as approved by the Department, and has been certified by the

1 Department.

2 (20 ILCS 2510/2510-10 new)

3 Sec. 2510-10. Certified audit project.

4 (a) Subject to appropriation, the Department is
5 authorized to initiate a certified audit pilot project to
6 further enhance tax compliance reviews performed by qualified
7 practitioners and to encourage taxpayers to hire qualified
8 practitioners at their own expense to review and report on
9 their sales tax and use tax compliance. The nature of the
10 certified audit work performed by qualified practitioners
11 shall be agreed-upon procedures in which the Department is
12 the specified user of the resulting report.

13 (b) As an incentive for taxpayers to incur the costs of
14 a certified audit, the Department shall abate penalties and
15 interest due on any tax liabilities revealed by a certified
16 audit, except that this authority to abate penalties or
17 interest shall not apply to any liability for taxes that were
18 collected by the participating taxpayer but not remitted to
19 the Department nor shall the Department have the authority to
20 abate fraud penalties.

21 (c) The certified audit pilot project shall apply only
22 to occupation and use taxes administered and collected by the
23 Department.

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

26 (20 ILCS 2510/2510-15 new)

27 Sec. 2510-15. Practitioner responsibilities. Any
28 practitioner responsible for planning, directing, or
29 conducting a certified audit or reporting on a participating
30 taxpayer's tax compliance shall be a qualified practitioner.
31 For purposes of this Section, a practitioner is responsible
32 for:

1 (1) Planning a certified audit when performing work
2 that involves determining the objectives, scope, and
3 methodology of the certified audit, when establishing
4 criteria to evaluate matters subject to the review as
5 part of the certified audit, when gathering information
6 used in planning the certified audit, or when
7 coordinating the certified audit with the Department.

8 (2) Directing a certified audit when the work
9 involves supervising the efforts or reviewing the work of
10 others to determine whether it is properly accomplished
11 and complete.

12 (3) Conducting a certified audit when performing
13 tests and procedures or field audit work necessary to
14 accomplish the audit objectives in accordance with
15 applicable standards.

16 (4) Reporting on a participating taxpayer's tax
17 compliance in a certified audit when determining report
18 contents and substance or reviewing reports for technical
19 content and substance prior to issuance.

20 (20 ILCS 2510/2510-20 new)

21 Sec. 2510-20. Notification.

22 (a) A qualified practitioner shall notify the Department
23 of an engagement to perform a certified audit and shall
24 provide the Department with the information the Department
25 deems necessary to identify the taxpayer, to confirm that the
26 taxpayer is not already under audit by the Department, and to
27 establish the basic nature of the taxpayer's business and the
28 taxpayer's potential exposure to Illinois occupation and use
29 tax laws. The information provided in the notification shall
30 include the taxpayer's name, federal employer identification
31 number or social security number, Illinois business tax
32 number, mailing address, business location, and the specific
33 occupation and use taxes and period proposed to be covered by

1 the engagement for the certified audit. In addition, the
2 notice shall include the name, address, identification
3 number, contact person, and telephone number of the engaged
4 firm.

5 (b) If the taxpayer has not been issued a written notice
6 of intent to conduct an audit, the taxpayer shall be a
7 participating taxpayer and the Department shall so advise the
8 qualified practitioner in writing within 10 days after
9 receipt of the engagement notice. However, the Department may
10 exclude a taxpayer from a certified audit or may limit the
11 taxes or periods subject to the certified audit on the basis
12 that the Department has previously conducted an audit, that
13 it is in the process of conducting an investigation or other
14 examination of the taxpayer's records, or for just cause.

15 (c) Notice of the qualification of a taxpayer for a
16 certified audit shall toll the statute of limitations
17 provided with respect to the taxpayer for the tax and periods
18 covered by the engagement.

19 (d) Within 30 days after receipt of the notice of
20 qualification from the Department, the qualified practitioner
21 shall contact the Department and submit a proposed audit plan
22 and procedures for review and agreement by the Department.
23 The Department may extend the time for submission of the plan
24 and procedures for reasonable cause. The qualified
25 practitioner shall initiate action to advise the Department
26 that amendment or modification of the plan and procedures is
27 necessary in the event that the qualified practitioner's
28 inspection reveals that the taxpayer's circumstances or
29 exposure to the revenue laws is substantially different than
30 as described in the engagement notice.

31 (20 ILCS 2510/2510-25 new)

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

33 (a) Upon the Department's designation of the agreed-upon

1 procedures to be followed by a practitioner in a certified
2 audit, the qualified practitioner shall perform the
3 engagement and shall timely submit a completed report to the
4 Department. The report shall affirm completion of the
5 agreed-upon procedures and shall provide any required
6 disclosures.

7 (b) The Department shall review the report of the
8 certified audit and shall accept it when it is determined to
9 be complete. Once the report is accepted by the Department,
10 the Department shall issue a notice of proposed assessment
11 reflecting the determination of any additional liability
12 reflected in the report and shall provide the taxpayer with
13 all the normal payment, protest, and appeal rights with
14 respect to the liability, including the right to a review by
15 the Informal Conference Board. In cases where the report
16 indicates an overpayment has been made, the taxpayer shall
17 submit a properly executed claim for refund to the
18 Department. Otherwise, the certified audit report is a final
19 and conclusive determination with respect to the tax and
20 period covered. No additional assessment may be made by the
21 Department for the specific taxes and period referenced in
22 the report, except upon a showing of fraud or material
23 misrepresentation. This determination shall not prevent the
24 Department from collecting liabilities not covered by the
25 report or from conducting an audit or investigation and
26 making an assessment for additional tax, penalty, or interest
27 for any tax or period not covered by the report.

28 (20 ILCS 2510/2510-30 new)

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

32 (1) The availability of the certification program
33 required for participation in the project;

1 (2) The requirements and basis for establishing
2 just cause for approval or rejection of participation by
3 taxpayers;

4 (3) Procedures for assessment, collection, and
5 payment of liabilities or refund of overpayments and
6 provisions for taxpayers to obtain informal and formal
7 review of certified audit results;

8 (4) The nature, frequency, and basis for the
9 Department's review of certified audits conducted by
10 qualified practitioners, including the requirements for
11 documentation, work-paper retention and access, and
12 reporting; and

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

15 Section 99. Effective date. This Act takes effect upon
16 becoming law.".