

1 AMENDMENT TO SENATE BILL 1283

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 1283 on page 1, by  
3 inserting the following after line 11:

4 "(20 ILCS 2510/2510-5 new)

5 Sec. 2510-5. Definitions. As used in this Article,  
6 unless the context otherwise requires:

7 "Certification program" mean an instructional curriculum,  
8 examination, and process for certification, recertification,  
9 and revocation of certification of certified public  
10 accountants that is administered by an independent provider  
11 and that is officially approved by the Department to ensure  
12 that a certified public accountant possesses the necessary  
13 skills and abilities to successfully perform an attestation  
14 engagement for tax compliance review in a certified audit  
15 project.

16 "Department" means the Illinois Department of Revenue.

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

22 "Qualified practitioner" means a certified public  
23 accountant who is licensed to practice in Illinois and who

1 has competed the certification program.

2 (20 ILCS 2510/2510-10 new)

3 Sec. 2510-10. Certified audit project.

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

12 (b) As an incentive for taxpayers to incur the costs of  
13 a certified audit, the Department shall compromise penalties  
14 and abate interest due on any tax liabilities revealed by a  
15 certified audit, except that this authority to compromise  
16 penalties or abate interest shall not apply to any liability  
17 for taxes that were collected by the participating taxpayer  
18 but not remitted to the Department.

19 (c) The certified audit project shall not extend beyond  
20 July 1, 2004.

21 (20 ILCS 2510/2510-15 new)

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

28 (1) Planning in a certified audit when performing  
29 work that involves determining the objectives, scope, and  
30 methodology of the certified audit, when establishing  
31 criteria to evaluate matters subject to the review as  
32 part of the certified audit, when gathering information

1 used in planning the certified audit, or when  
2 coordinating the certified audit with the Department.

3 (2) Directing in a certified audit when the work  
4 involves supervising the efforts of others who are  
5 involved or when reviewing the work to determine whether  
6 it is properly accomplished and complete.

7 (3) Conducting a certified audit when performing  
8 tests and procedures or field audit work necessary to  
9 accomplish the audit objectives in accordance with  
10 applicable standards.

11 (4) Reporting on a participating taxpayer's tax  
12 compliance in a certified audit when determining report  
13 contents and substance or reviewing reports for technical  
14 content and substance prior to issuance.

15 (20 ILCS 2510/2510-20 new)

16 Sec. 2510-20. Notification.

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

32 (b) If the taxpayer has not been issued a written notice  
33 of intent to conduct an audit, the taxpayer shall be a

1 participating taxpayer and the Department shall so advise the  
2 qualified practitioner in writing within 10 days after  
3 receipt of the engagement notice. However, the Department may  
4 exclude a taxpayer from a certified audit or may limit the  
5 taxes or periods subject to the certified audit on the basis  
6 that the Department has previously conducted an audit, that  
7 it is in the process of conducting an investigation or other  
8 examination of the taxpayer's records, or for just cause.

9 (c) Notice of the qualification of a taxpayer for a  
10 certified audit shall toll the statute of limitations  
11 provided with respect to the taxpayer for the tax and periods  
12 covered by the engagement.

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

25 (20 ILCS 2510/2510-25 new)

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

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

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

22       (20 ILCS 2510/2510-30 new)

23       Sec. 2510-30. Rules. To implement the certified audit  
24       project, the Department shall have authority to adopt rules  
25       relating to:

26               (1) The availability of the certification program  
27               required for participation in the project;

28               (2) The requirements and basis for establishing  
29               just cause for approval or rejection of participation by  
30               taxpayers;

31               (3) Procedures for assessment, collection, and  
32               payment of liabilities or refund of overpayments and  
33               provisions for taxpayers to obtain informal and formal

1 review of certified audit results;

2 (4) The nature, frequency, and basis for the  
3 Department's review of certified audits conducted by  
4 qualified practitioners, including the requirements for  
5 documentation, work-paper retention and access, and  
6 reporting; and

7 (5) Requirements for conducting certified audits  
8 and for review of agreed-upon procedures."