MINUTES

AUDIT COMMITTEE MEETING

PUBLIC SESSION

WASHINGTON DC,

NOVEMBER 9, 2004

I. CALL TO ORDER:

Rich Schrader, Audit Committee Chairman called the meeting to order at 1:00 PM and welcomed the members and guests who were present.

II. ROLL CALL:

Present were the following members and guests:

<table>
<thead>
<tr>
<th>NJ Rich Schrader</th>
<th>NJ Lee Evans</th>
<th>CO Christina Manthey</th>
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<tr>
<td>NM Diana Vasquez</td>
<td>OR Janielle Lipscomb</td>
<td>LA Kurt Van Brocklin</td>
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<td>NE Sean Sookram</td>
<td>SD Bruce Christensen</td>
<td>MO John Feldmann</td>
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<td>MO Carol Fischer</td>
<td>WI Rick DeBano</td>
<td>WA Tremaine Smith</td>
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<td>UT Frank Hales</td>
<td>UT Rod Marrelli</td>
<td>OH Charlie Rhilinger</td>
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<td>ND Gary Anderson</td>
<td>ID Lynn Chenowith</td>
<td>WY Rick Scheer</td>
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<td>MN Cathy Wicks</td>
<td>MN Keith Getschel</td>
<td>NE Scott Spilinek</td>
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<td>AZ Vince Perez</td>
<td>Fast Tax D. Bratton</td>
<td>MTC Les Koenig</td>
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<td>MTC Harold Jennings</td>
<td>MTC Cathy Felix</td>
<td>MTC Jeff Silver</td>
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<td>MTC Steve Yang</td>
<td>MTC Dan Bucks</td>
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III. PUBLIC COMMENTS:

There were no comments from the public sector.
IV. APPROVAL OF MINUTES OF PUBLIC SESSION MYSTIC CT.

The minutes from the Mystic, Ct. public session held on July 27, 2004 were reviewed and approved.

V. REPORT FROM EXECUTIVE COMMITTEE LIAISON

Carol Fischer, Executive Committee Liaison, thanked the Audit Committee for its work during the last fiscal year. The Executive Committee was genuinely pleased with the work of the Committee.

VI. EXECUTIVE DIRECTOR’S REPORT

Dan Bucks, MTC Executive Director spoke favorably of the results of the Audit Committee and the Audit Program for the last year.

Dan addressed several federal issues that were pending before Congress. The internet bill is close to some action in Congress. He also reported that the Streamlined Sales Tax bill was probably delayed until next year. He also alerted the Committee that there will likely be some type of action on Federal Tax reform next year. He reported that the MTC is closely monitoring these possible actions and will continue to keep the States informed on any possible actions.

VII. STATE TAX COMPLIANCE

Dan Bucks also reported on the MTC’s State Tax Compliance initiatives. The Income Tax Committee is working on issues with PL 86-272 and listed transactions. The Sales Tax committee has identified the priority of developing an exchange of information system for use tax transactions. The Pass Through Entity Committee is putting an ad hoc committee together to perform additional work in this area. This committee is asking for a member from the Audit Committee to serve on it. Rich Schroeder appointed Lee Evans from New Jersey to serve on this ad hoc committee.

VIII. AUDIT DIRECTOR’S REPORT

Les Koenig, MTC Audit Director issued a written report on the status of the Audit program. Les reported that 1 sales tax audit was completed during the first quarter of this fiscal year.

He also reported that 2 new sales tax auditors were hired for the Chicago Office to fill the vacancies that were created. The two new auditors, Mike Bontrager and Nicole Phillips were previously employed by the Florida Department of Revenue.
IX REPORT FROM AUDITING TECHNOLOGY SUB-COMMITTEE

Bruce Christensen reported on the sub-committee’s meeting on November 8, 2004. Bruce indicated that the Committee has been working on an Audit Standard Paper for the Streamlined Sales Tax Project. This committee has held several teleconferences during the last quarter dealing with this paper.

The Committee also discussed statute of limitation problems that states have experienced. Several States have adopted a regulation that automatically extends the statute of limitations by notifying the taxpayer of a pending audit. There was also discussion of use of provisional assessments when a taxpayer refuses to sign waivers.

X NEW BUSINESS AND ADJOURNMENT

There were no items of new business at this meeting. The public session of the Audit Committee was adjourned at 2:00PM.