

## Government Obligations State Intangibles or Personal Property Information

Some states impose an intangibles tax or a personal property tax on the value of certain financial assets, which may include mutual funds. Some states exclude the value of certain U.S. government obligations and municipal obligations from the computation of such taxes.

The table below shows the percent of each Fund's Net Asset Value (NAV) per share invested in U.S. government obligations as of the close of business on December 31, 1999:

	% of NAV per share							
	Fed'l Home Loan Mtg Corp	Fed'l Home Loan Bank	Fed'l Nat'l Mtg Assoc	VA Vendee Mtg Trust	Gov't Nat'l Mtg Assoc	U.S. Treasury	Closed-End Mutual Funds	Total U.S. Govt
<b>Balanced</b>	0.8%	—	1.7%	—	7.5%	8.3%	0.9%	19.2%
<b>Bond</b>	1.9	—	5.9	—	17.7	18.9	4.5	48.9
<b>U.S.Govt</b>	15.2	—	20.2	9.0%	40.2	15.4	—	100.0

The table below shows the percent of the Sit Tax-Free Income Fund's Net Asset Value (NAV) per share invested in securities as of December 31, 1999, for states, which impose an intangibles tax:

% of NAV per share	
Florida	0.9%
Kansas	0.3
Kentucky	0.3
Michigan	2.6
North Carolina	0.2
West Virginia	0.6

### Corporate Dividends Received Deduction

The following percentage of the dividend paid by the this Fund qualifies for the corporate dividends received deduction:

Balanced Fund	26.2%
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Dividends paid by other Sit Funds do not qualify for the deduction.

*This information applies to corporate accounts only.*

### MN Tax-Exempt Municipal Obligations Sit Minnesota Tax-Free Income Fund

Income distributed by the Fund during 1999 represents interest income that is exempt from regular federal income tax and Minnesota regular personal income tax.

***A Form 1099-DIV will not be issued by the Minnesota Tax-Free Income Fund since the Fund did not distribute taxable capital gain income during 1999.***

For shareholders who are subject to the alternative minimum tax (AMT), **15.22%** of the Fund's income distributed during 1999 should be treated as an item of tax preference and included in the shareholder's alternative minimum taxable income.

## Tax-Exempt Municipal Obligations by State Sit Tax-Free Income Fund

The income dividends paid by the Fund are **exempt** from regular federal income tax, however, income dividends may be subject to state and local taxation.

### SOURCE OF TAX-EXEMPT INCOME DIVIDENDS

The percentages of tax-exempt income dividends from various states paid during 1999 are:

Alabama	0.06%	Montana	0.00%
Alaska	1.86	Nebraska	0.78
Arizona	1.11	Nevada	1.35
Arkansas	0.62	New Hampshire	2.18
California	4.00	New Jersey	0.53
Colorado	2.74	New Mexico	1.20
Connecticut	0.81	New York	0.46
Delaware	0.28	North Carolina	0.16
D. C.	0.28	North Dakota	0.27
Florida	1.09	Ohio	1.86
Georgia	1.76	Oklahoma	1.64
Hawaii	0.51	Oregon	0.87
Idaho	0.07	Pennsylvania	7.34
Illinois	9.12	Rhode Island	1.36
Indiana	7.39	South Carolina	1.05
Iowa	1.35	South Dakota	1.50
Kansas	0.30	Tennessee	7.11
Kentucky	0.41	Texas	11.71
Louisiana	3.15	Utah	0.86
Maine	0.12	Vermont	0.15
Maryland	0.15	Virginia	1.94
Massachusetts	1.49	Washington	3.82
Michigan	2.60	West Virginia	0.64
Minnesota	2.31	Wisconsin	3.18
Mississippi	1.56	Wyoming	0.79
Missouri	2.12		

***Minnesota Residents:*** Your federal tax-exempt interest dividends paid by the Fund are not exempt from Minnesota tax and must be added to federal taxable income when calculating your Minnesota taxable income.

**None** of the Fund's income distributed during 1999 is subject to the alternative minimum tax (AMT).

***A Form 1099-DIV will not be issued by the Tax-Free Income Fund since the Fund did not distribute taxable capital gain income during 1999.***

Sit - 99 Tax

# Sit Mutual Funds

## 1999 Tax Information

**Tax information on the Sit Mutual Funds is enclosed. Consult your tax adviser about how to report this information on your federal and state tax returns.**

 **Sit Investment Associates**  
Sit Mutual Funds

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[www.sitfunds.com](http://www.sitfunds.com)

## U.S. Government Obligations

Income earned from U.S. government securities is generally exempt from state income tax. Many states provide for this tax-exemption to be "passed-through" to shareholders of mutual funds that hold these securities.

The tables below show income earned by the Funds from U.S. government securities (excluding long-term capital gains, if any) as a percentage of the total income earned by each Fund during 1999. Income earned by other Sit Funds was either not derived from U.S. obligations or less than 0.01% and therefore not listed below.

	Federal Home Loan Bank	Federal Home Loan Mtg Corp	Federal Nat'l Mtg Assoc	Govt Nat'l Mtg Assoc	VA Vendee Mtg Trust	U. S. Treasury	Other
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**U.S. Government Securities Fund** 0.0% 12.26% 17.65% 45.83% 6.15% 15.42% 2.69%

	U.S. Government Obligations					Other Income				Total Other Income
	Federal Nat'l Mtg Assoc	Federal Home Loan Mtg Corp	Govt Nat'l Mtg Assoc	VA Vendee Mtg Trust	U.S. Treasury	Total U.S. Govt	Corp Issuers	Equity Income	Other	

**Bond Fund** 8.00% 2.45% 21.39% 0.00% 18.92% **50.76%** 41.11% 5.36% 2.77% **49.24%**

**Balanced Fund** 5.75% 3.53% 21.67% 0.00% 15.53% **46.48%** 31.81% 14.03% 7.68% **53.52%**

	U.S. Government Obligations					Other Income			
	Federal Farm Credit Bank	Federal Home Loan Bank	Federal Home Loan Mtg Corp	Federal Nat'l Mtg Assoc	Student Loan Mkt Assoc	U.S. Treasury	Total U.S. Govt	Comm Paper	Total Other Income

**Money Market Fund** 0.15% 2.89% 2.67% 1.49% 0.00% 0.00% **7.21%** 92.79% **92.79%**

## IRAs

### Form 1099-R for Distributions

If you made a withdrawal from your IRA in 1999, your Form 1099-R is enclosed. (If you converted your Traditional IRA to a Roth IRA, the IRS considers this a taxable distribution.)

If you have questions on how to report your distribution, please see a tax adviser or obtain IRS Form 8606 at [http://www.irs.ustreas.gov/prod/forms\\_pubs/forms.html](http://www.irs.ustreas.gov/prod/forms_pubs/forms.html) or by calling 1-800-TAX-FORM (1-800-829-3676).

### Form 5498 for Contributions

In May, we will send you Form 5498 showing your IRA contributions for the 1999 tax year.

**Traditional IRA** - Contributions may be tax-deductible depending upon your circumstances. There is a limit of \$2,000 per person per tax year. Contributions for the 1999 tax year must be made no later than April 17, 2000.

**Roth IRA** - Contributions are not tax-deductible and are limited to \$2,000 per person per tax year. Contributions for the 1999 tax year must be made no later than April 17, 2000.

**Education IRA** - Contributions are not tax-deductible and are limited to \$500 per minor per calendar year. Contributions for the 1999 tax year must have been made by December 31, 1999.

**SIMPLE IRA** - Contributions are not tax-deductible since your employer should have deducted them from your pay on a pre-tax basis.

## Foreign Taxes

### International Growth Fund and Developing Markets Growth Fund

The International Growth Fund and the Developing Markets Growth Fund have paid taxes imposed by foreign countries and deducted such amounts in computing their incomes. The Funds will elect not to "pass-through" foreign tax credits to the shareholders.

## Massachusetts Shareholders

Following are the percentages of the 1999 Sit Mutual Funds' long-term capital gain distributions that are eligible for the Class B, C, D, E, F and G reduced tax rates on your Massachusetts income tax return:

	Mid Cap Growth	Large Cap Growth	Balanced	International Growth	Bond
<b>Class B</b>	31.5%	48.8%	47.0%	35.1%	100.0%
<b>Class C</b>	7.1%	15.2%	14.8%	13.3%	
<b>Class D</b>	33.3%	12.3%	26.5%	10.6%	
<b>Class E</b>	28.1%	20.1%	11.7%	25.1%	
<b>Class F</b>	0.0%	2.0%	0.0%	5.7%	
<b>Class G</b>	0.0%	1.6%	0.0%	10.2%	

## South Carolina Shareholders

Following are the percentages of the 1999 Sit Mutual Funds' long-term capital gain distributions that are derived from property held two years or more:

Sit Fund	Percent Eligible
Mid Cap Growth	68.5%
Large Cap Growth	51.2%
Balanced	53.0%
International Growth	64.9%
Bond	0.0%