

State Intangibles Information

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, 2003, for states, which impose an intangibles tax:

	% of NAV per share	
Florida	3.1%	West Virginia 0.9%
Kansas	1.1%	

Corporate Dividends Received Deduction

The following percentage of the dividend paid by the Sit Balanced Fund, which is **31.97%**, qualifies for the corporate dividends received deduction. Dividends paid by other Sit Funds do not qualify for the deduction.

This information applies to corporate accounts only.

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.

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

Income distributed by the Fund during 2003 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 2003.

For shareholders who are subject to the alternative minimum tax (AMT), **18.93%** of the Fund's income distributed during 2003 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 2003 are:

Alabama	0.84%	Montana	0.31%
Alaska	2.10	Nebraska	0.00
Arizona	0.44	Nevada	2.49
Arkansas	0.94	New Hampshire	2.11
California	4.28	New Jersey	0.79
Colorado	3.55	New Mexico	1.03
Connecticut	0.55	New York	2.69
Delaware	0.07	North Carolina	0.04
D. C.	0.00	North Dakota	0.19
Florida	2.77	Ohio	1.85
Georgia	1.26	Oklahoma	1.55
Hawaii	0.39	Oregon	1.35
Idaho	0.00	Pennsylvania	7.57
Illinois	10.47	Rhode Island	0.80
Indiana	6.53	South Carolina	1.29
Iowa	1.79	South Dakota	0.68
Kansas	0.98	Tennessee	0.83
Kentucky	0.14	Texas	17.22
Louisiana	3.15	Utah	1.32
Maine	0.38	Vermont	0.21
Maryland	0.39	Virginia	0.53
Massachusetts	1.25	Washington	0.69
Michigan	3.09	West Virginia	0.72
Minnesota	2.22	Wisconsin	3.69
Mississippi	0.19	Wyoming	0.00
Missouri	2.24	Puerto Rico	0.04

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 Tax-Free Income Fund's income distributed during 2003 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 2003.

Sit -03 Tax

Sit Mutual Funds

2003 Tax Information

Consult your tax advisor about how to report this information on your federal and state tax returns.

Your tax advisor will need this pamphlet to prepare your taxes.

 **Sit Investment Associates**
Sit Mutual Funds

90 S. Seventh Street, Suite 4600, Minneapolis, MN 55402
612-334-5888 or 800-332-5580 www.sitfunds.com

U.S. Government Obligations

Income earned from U.S. government securities is sometimes 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. **Please consult your tax advisor if you have questions regarding your state's tax regulations.**

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 2003. 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
--	------------------------	-----------------------------	-------------------------	----------------------	---------------------	---------------	-------

U.S. Government Securities Fund 0.11% 18.18% 48.79% 20.44% 6.24 % 4.35% 1.89%

U.S. Government Obligations						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	Total Other Income

Bond Fund 13.85% 5.41% 13.37% 1.02% 3.66% **37.31%** 49.11% 5.72% 7.86% **62.69%**
Balanced Fund 6.78% 2.54% 8.64% 0.88% 0.44% **19.28%** 49.43% 26.19% 5.10% **80.72%**

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

Money Market Fund 0.01% 0.96% 0.36% 2.51% 0.01% **3.85%** 96.15% **96.15%**

IRAs

Form 5498 for Contributions

In the spring, we will send you Form 5498 showing your IRA contributions for the 2003 tax year.

Traditional IRA - Contributions may be tax-deductible depending upon your circumstances. There is a limit of \$3,000 per person per tax year (\$3,500 if you were 50 by December 31, 2003). Contributions for the 2003 tax year must be made no later than April 15, 2004.

Roth IRA - Contributions are not tax-deductible and are limited to \$3,000 per person per tax year (\$3,500 if you were 50 by December 31, 2003). Contributions for the 2003 tax year must be made no later than April 15, 2004.

Roth Conversion IRA - Contributions are not tax-deductible and can only be made by converting a Traditional, SEP or SIMPLE IRA to a Roth Conversion IRA.

Coverdell Education Savings Account (formerly known as an Education IRA) - Contributions are not tax-deductible and are limited to \$2,000 per minor per tax year. Contributions for the 2003 tax year must be made by April 15, 2004.

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

Qualified Dividend %

The following chart shows the percentage of dividends which are considered qualified and are now taxed at a maximum of 15%.

Balanced	39.47%
Large Cap Growth	100.00%
Developing Markets Growth	100.00%
International Growth Fund	100.00%

Non-qualified dividends are taxed at ordinary income tax rates.

IRAs

Form 1099-R for Distributions

If you made a withdrawal from your IRA in 2003, your Form 1099-R is enclosed. If you converted your Traditional IRA to a Roth IRA, the IRS considers this a taxable distribution as well.

If you have questions on how to report your distribution, please see a tax adviser or obtain IRS publication 590 at <http://www.irs.gov> or by calling 1-800-TAX-FORM (1-800-829-3676).