



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB2746

by Rep. Michael J. Zalewski

SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-5	
35 ILCS 105/3-30	from Ch. 120, par. 439.3-30
35 ILCS 105/3-50	from Ch. 120, par. 439.3-50
35 ILCS 110/2	from Ch. 120, par. 439.32
35 ILCS 110/3-5	
35 ILCS 110/3-30	from Ch. 120, par. 439.33-30
35 ILCS 115/2	from Ch. 120, par. 439.102
35 ILCS 115/3-5	
35 ILCS 115/3-30	from Ch. 120, par. 439.103-30
35 ILCS 120/2-5	
35 ILCS 120/2-30	from Ch. 120, par. 441-30
35 ILCS 120/2-45	from Ch. 120, par. 441-45

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that the exemption for graphic arts machinery and equipment applies for all periods on and after September 1, 2004. Provides that the exemption includes production related tangible personal property beginning on July 1, 2014. Provides that, beginning on July 1, 2014, the manufacturing and assembly exemption also includes production related tangible personal property. Makes changes to the definition of "production related tangible personal property". Provides that the graphic arts exemption and the manufacturing and assembly exemption are each exempt from the Acts' automatic sunset provisions. Effective immediately.

LRB100 06009 HLH 16039 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Use Tax Act is amended by changing Sections
5 3-5, 3-30, and 3-50 as follows:

6 (35 ILCS 105/3-5)

7 Sec. 3-5. Exemptions. Use of the following tangible
8 personal property is exempt from the tax imposed by this Act:

9 (1) Personal property purchased from a corporation,
10 society, association, foundation, institution, or
11 organization, other than a limited liability company, that is
12 organized and operated as a not-for-profit service enterprise
13 for the benefit of persons 65 years of age or older if the
14 personal property was not purchased by the enterprise for the
15 purpose of resale by the enterprise.

16 (2) Personal property purchased by a not-for-profit
17 Illinois county fair association for use in conducting,
18 operating, or promoting the county fair.

19 (3) Personal property purchased by a not-for-profit arts or
20 cultural organization that establishes, by proof required by
21 the Department by rule, that it has received an exemption under
22 Section 501(c)(3) of the Internal Revenue Code and that is
23 organized and operated primarily for the presentation or

1 support of arts or cultural programming, activities, or
2 services. These organizations include, but are not limited to,
3 music and dramatic arts organizations such as symphony
4 orchestras and theatrical groups, arts and cultural service
5 organizations, local arts councils, visual arts organizations,
6 and media arts organizations. On and after the effective date
7 of this amendatory Act of the 92nd General Assembly, however,
8 an entity otherwise eligible for this exemption shall not make
9 tax-free purchases unless it has an active identification
10 number issued by the Department.

11 (4) Personal property purchased by a governmental body, by
12 a corporation, society, association, foundation, or
13 institution organized and operated exclusively for charitable,
14 religious, or educational purposes, or by a not-for-profit
15 corporation, society, association, foundation, institution, or
16 organization that has no compensated officers or employees and
17 that is organized and operated primarily for the recreation of
18 persons 55 years of age or older. A limited liability company
19 may qualify for the exemption under this paragraph only if the
20 limited liability company is organized and operated
21 exclusively for educational purposes. On and after July 1,
22 1987, however, no entity otherwise eligible for this exemption
23 shall make tax-free purchases unless it has an active exemption
24 identification number issued by the Department.

25 (5) Until July 1, 2003, a passenger car that is a
26 replacement vehicle to the extent that the purchase price of

1 the car is subject to the Replacement Vehicle Tax.

2 (6) Until July 1, 2003 and beginning again on September 1,
3 2004 ~~through August 30, 2014~~, graphic arts machinery and
4 equipment, including repair and replacement parts, both new and
5 used, and including that manufactured on special order,
6 certified by the purchaser to be used primarily for graphic
7 arts production, and including machinery and equipment
8 purchased for lease. Equipment includes chemicals or chemicals
9 acting as catalysts but only if the chemicals or chemicals
10 acting as catalysts effect a direct and immediate change upon a
11 graphic arts product. The exemption under this paragraph (6)
12 also includes production related tangible personal property,
13 as defined in Section 3-30, purchased on or after July 1, 2014.
14 It is the intent of the General Assembly that the exemption
15 under this paragraph (6) applies continuously for all periods
16 on and after September 1, 2004. Any actions taken in reliance
17 on the continuation of the exemption under this paragraph are
18 hereby validated. The exemption under this paragraph (6) is
19 exempt from the provisions of Section 3-90.

20 (7) Farm chemicals.

21 (8) Legal tender, currency, medallions, or gold or silver
22 coinage issued by the State of Illinois, the government of the
23 United States of America, or the government of any foreign
24 country, and bullion.

25 (9) Personal property purchased from a teacher-sponsored
26 student organization affiliated with an elementary or

1 secondary school located in Illinois.

2 (10) A motor vehicle that is used for automobile renting,
3 as defined in the Automobile Renting Occupation and Use Tax
4 Act.

5 (11) Farm machinery and equipment, both new and used,
6 including that manufactured on special order, certified by the
7 purchaser to be used primarily for production agriculture or
8 State or federal agricultural programs, including individual
9 replacement parts for the machinery and equipment, including
10 machinery and equipment purchased for lease, and including
11 implements of husbandry defined in Section 1-130 of the
12 Illinois Vehicle Code, farm machinery and agricultural
13 chemical and fertilizer spreaders, and nurse wagons required to
14 be registered under Section 3-809 of the Illinois Vehicle Code,
15 but excluding other motor vehicles required to be registered
16 under the Illinois Vehicle Code. Horticultural polyhouses or
17 hoop houses used for propagating, growing, or overwintering
18 plants shall be considered farm machinery and equipment under
19 this item (11). Agricultural chemical tender tanks and dry
20 boxes shall include units sold separately from a motor vehicle
21 required to be licensed and units sold mounted on a motor
22 vehicle required to be licensed if the selling price of the
23 tender is separately stated.

24 Farm machinery and equipment shall include precision
25 farming equipment that is installed or purchased to be
26 installed on farm machinery and equipment including, but not

1 limited to, tractors, harvesters, sprayers, planters, seeders,
2 or spreaders. Precision farming equipment includes, but is not
3 limited to, soil testing sensors, computers, monitors,
4 software, global positioning and mapping systems, and other
5 such equipment.

6 Farm machinery and equipment also includes computers,
7 sensors, software, and related equipment used primarily in the
8 computer-assisted operation of production agriculture
9 facilities, equipment, and activities such as, but not limited
10 to, the collection, monitoring, and correlation of animal and
11 crop data for the purpose of formulating animal diets and
12 agricultural chemicals. This item (11) is exempt from the
13 provisions of Section 3-90.

14 (12) Until June 30, 2013, fuel and petroleum products sold
15 to or used by an air common carrier, certified by the carrier
16 to be used for consumption, shipment, or storage in the conduct
17 of its business as an air common carrier, for a flight destined
18 for or returning from a location or locations outside the
19 United States without regard to previous or subsequent domestic
20 stopovers.

21 Beginning July 1, 2013, fuel and petroleum products sold to
22 or used by an air carrier, certified by the carrier to be used
23 for consumption, shipment, or storage in the conduct of its
24 business as an air common carrier, for a flight that (i) is
25 engaged in foreign trade or is engaged in trade between the
26 United States and any of its possessions and (ii) transports at

1 least one individual or package for hire from the city of
2 origination to the city of final destination on the same
3 aircraft, without regard to a change in the flight number of
4 that aircraft.

5 (13) Proceeds of mandatory service charges separately
6 stated on customers' bills for the purchase and consumption of
7 food and beverages purchased at retail from a retailer, to the
8 extent that the proceeds of the service charge are in fact
9 turned over as tips or as a substitute for tips to the
10 employees who participate directly in preparing, serving,
11 hosting or cleaning up the food or beverage function with
12 respect to which the service charge is imposed.

13 (14) Until July 1, 2003, oil field exploration, drilling,
14 and production equipment, including (i) rigs and parts of rigs,
15 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
16 tubular goods, including casing and drill strings, (iii) pumps
17 and pump-jack units, (iv) storage tanks and flow lines, (v) any
18 individual replacement part for oil field exploration,
19 drilling, and production equipment, and (vi) machinery and
20 equipment purchased for lease; but excluding motor vehicles
21 required to be registered under the Illinois Vehicle Code.

22 (15) Photoprocessing machinery and equipment, including
23 repair and replacement parts, both new and used, including that
24 manufactured on special order, certified by the purchaser to be
25 used primarily for photoprocessing, and including
26 photoprocessing machinery and equipment purchased for lease.

1 (16) Coal and aggregate exploration, mining, off-highway
2 hauling, processing, maintenance, and reclamation equipment,
3 including replacement parts and equipment, and including
4 equipment purchased for lease, but excluding motor vehicles
5 required to be registered under the Illinois Vehicle Code. The
6 changes made to this Section by Public Act 97-767 apply on and
7 after July 1, 2003, but no claim for credit or refund is
8 allowed on or after August 16, 2013 (the effective date of
9 Public Act 98-456) for such taxes paid during the period
10 beginning July 1, 2003 and ending on August 16, 2013 (the
11 effective date of Public Act 98-456).

12 (17) Until July 1, 2003, distillation machinery and
13 equipment, sold as a unit or kit, assembled or installed by the
14 retailer, certified by the user to be used only for the
15 production of ethyl alcohol that will be used for consumption
16 as motor fuel or as a component of motor fuel for the personal
17 use of the user, and not subject to sale or resale.

18 (18) Manufacturing and assembling machinery and equipment
19 used primarily in the process of manufacturing or assembling
20 tangible personal property for wholesale or retail sale or
21 lease, whether that sale or lease is made directly by the
22 manufacturer or by some other person, whether the materials
23 used in the process are owned by the manufacturer or some other
24 person, or whether that sale or lease is made apart from or as
25 an incident to the seller's engaging in the service occupation
26 of producing machines, tools, dies, jigs, patterns, gauges, or

1 other similar items of no commercial value on special order for
2 a particular purchaser. The exemption provided by this
3 paragraph (18) also includes production related tangible
4 personal property, as defined in Section 3-50, purchased on or
5 after July 1, 2014. The exemption provided by this paragraph
6 (18) does not include machinery and equipment used in (i) the
7 generation of electricity for wholesale or retail sale; (ii)
8 the generation or treatment of natural or artificial gas for
9 wholesale or retail sale that is delivered to customers through
10 pipes, pipelines, or mains; or (iii) the treatment of water for
11 wholesale or retail sale that is delivered to customers through
12 pipes, pipelines, or mains. The provisions of Public Act 98-583
13 are declaratory of existing law as to the meaning and scope of
14 this exemption. The exemption under this paragraph (6) is
15 exempt from the provisions of Section 3-90.

16 (19) Personal property delivered to a purchaser or
17 purchaser's donee inside Illinois when the purchase order for
18 that personal property was received by a florist located
19 outside Illinois who has a florist located inside Illinois
20 deliver the personal property.

21 (20) Semen used for artificial insemination of livestock
22 for direct agricultural production.

23 (21) Horses, or interests in horses, registered with and
24 meeting the requirements of any of the Arabian Horse Club
25 Registry of America, Appaloosa Horse Club, American Quarter
26 Horse Association, United States Trotting Association, or

1 Jockey Club, as appropriate, used for purposes of breeding or
2 racing for prizes. This item (21) is exempt from the provisions
3 of Section 3-90, and the exemption provided for under this item
4 (21) applies for all periods beginning May 30, 1995, but no
5 claim for credit or refund is allowed on or after January 1,
6 2008 for such taxes paid during the period beginning May 30,
7 2000 and ending on January 1, 2008.

8 (22) Computers and communications equipment utilized for
9 any hospital purpose and equipment used in the diagnosis,
10 analysis, or treatment of hospital patients purchased by a
11 lessor who leases the equipment, under a lease of one year or
12 longer executed or in effect at the time the lessor would
13 otherwise be subject to the tax imposed by this Act, to a
14 hospital that has been issued an active tax exemption
15 identification number by the Department under Section 1g of the
16 Retailers' Occupation Tax Act. If the equipment is leased in a
17 manner that does not qualify for this exemption or is used in
18 any other non-exempt manner, the lessor shall be liable for the
19 tax imposed under this Act or the Service Use Tax Act, as the
20 case may be, based on the fair market value of the property at
21 the time the non-qualifying use occurs. No lessor shall collect
22 or attempt to collect an amount (however designated) that
23 purports to reimburse that lessor for the tax imposed by this
24 Act or the Service Use Tax Act, as the case may be, if the tax
25 has not been paid by the lessor. If a lessor improperly
26 collects any such amount from the lessee, the lessee shall have

1 a legal right to claim a refund of that amount from the lessor.
2 If, however, that amount is not refunded to the lessee for any
3 reason, the lessor is liable to pay that amount to the
4 Department.

5 (23) Personal property purchased by a lessor who leases the
6 property, under a lease of one year or longer executed or in
7 effect at the time the lessor would otherwise be subject to the
8 tax imposed by this Act, to a governmental body that has been
9 issued an active sales tax exemption identification number by
10 the Department under Section 1g of the Retailers' Occupation
11 Tax Act. If the property is leased in a manner that does not
12 qualify for this exemption or used in any other non-exempt
13 manner, the lessor shall be liable for the tax imposed under
14 this Act or the Service Use Tax Act, as the case may be, based
15 on the fair market value of the property at the time the
16 non-qualifying use occurs. No lessor shall collect or attempt
17 to collect an amount (however designated) that purports to
18 reimburse that lessor for the tax imposed by this Act or the
19 Service Use Tax Act, as the case may be, if the tax has not been
20 paid by the lessor. If a lessor improperly collects any such
21 amount from the lessee, the lessee shall have a legal right to
22 claim a refund of that amount from the lessor. If, however,
23 that amount is not refunded to the lessee for any reason, the
24 lessor is liable to pay that amount to the Department.

25 (24) Beginning with taxable years ending on or after
26 December 31, 1995 and ending with taxable years ending on or

1 before December 31, 2004, personal property that is donated for
2 disaster relief to be used in a State or federally declared
3 disaster area in Illinois or bordering Illinois by a
4 manufacturer or retailer that is registered in this State to a
5 corporation, society, association, foundation, or institution
6 that has been issued a sales tax exemption identification
7 number by the Department that assists victims of the disaster
8 who reside within the declared disaster area.

9 (25) Beginning with taxable years ending on or after
10 December 31, 1995 and ending with taxable years ending on or
11 before December 31, 2004, personal property that is used in the
12 performance of infrastructure repairs in this State, including
13 but not limited to municipal roads and streets, access roads,
14 bridges, sidewalks, waste disposal systems, water and sewer
15 line extensions, water distribution and purification
16 facilities, storm water drainage and retention facilities, and
17 sewage treatment facilities, resulting from a State or
18 federally declared disaster in Illinois or bordering Illinois
19 when such repairs are initiated on facilities located in the
20 declared disaster area within 6 months after the disaster.

21 (26) Beginning July 1, 1999, game or game birds purchased
22 at a "game breeding and hunting preserve area" as that term is
23 used in the Wildlife Code. This paragraph is exempt from the
24 provisions of Section 3-90.

25 (27) A motor vehicle, as that term is defined in Section
26 1-146 of the Illinois Vehicle Code, that is donated to a

1 corporation, limited liability company, society, association,
2 foundation, or institution that is determined by the Department
3 to be organized and operated exclusively for educational
4 purposes. For purposes of this exemption, "a corporation,
5 limited liability company, society, association, foundation,
6 or institution organized and operated exclusively for
7 educational purposes" means all tax-supported public schools,
8 private schools that offer systematic instruction in useful
9 branches of learning by methods common to public schools and
10 that compare favorably in their scope and intensity with the
11 course of study presented in tax-supported schools, and
12 vocational or technical schools or institutes organized and
13 operated exclusively to provide a course of study of not less
14 than 6 weeks duration and designed to prepare individuals to
15 follow a trade or to pursue a manual, technical, mechanical,
16 industrial, business, or commercial occupation.

17 (28) Beginning January 1, 2000, personal property,
18 including food, purchased through fundraising events for the
19 benefit of a public or private elementary or secondary school,
20 a group of those schools, or one or more school districts if
21 the events are sponsored by an entity recognized by the school
22 district that consists primarily of volunteers and includes
23 parents and teachers of the school children. This paragraph
24 does not apply to fundraising events (i) for the benefit of
25 private home instruction or (ii) for which the fundraising
26 entity purchases the personal property sold at the events from

1 another individual or entity that sold the property for the
2 purpose of resale by the fundraising entity and that profits
3 from the sale to the fundraising entity. This paragraph is
4 exempt from the provisions of Section 3-90.

5 (29) Beginning January 1, 2000 and through December 31,
6 2001, new or used automatic vending machines that prepare and
7 serve hot food and beverages, including coffee, soup, and other
8 items, and replacement parts for these machines. Beginning
9 January 1, 2002 and through June 30, 2003, machines and parts
10 for machines used in commercial, coin-operated amusement and
11 vending business if a use or occupation tax is paid on the
12 gross receipts derived from the use of the commercial,
13 coin-operated amusement and vending machines. This paragraph
14 is exempt from the provisions of Section 3-90.

15 (30) Beginning January 1, 2001 and through June 30, 2016,
16 food for human consumption that is to be consumed off the
17 premises where it is sold (other than alcoholic beverages, soft
18 drinks, and food that has been prepared for immediate
19 consumption) and prescription and nonprescription medicines,
20 drugs, medical appliances, and insulin, urine testing
21 materials, syringes, and needles used by diabetics, for human
22 use, when purchased for use by a person receiving medical
23 assistance under Article V of the Illinois Public Aid Code who
24 resides in a licensed long-term care facility, as defined in
25 the Nursing Home Care Act, or in a licensed facility as defined
26 in the ID/DD Community Care Act, the MC/DD Act, or the

1 Specialized Mental Health Rehabilitation Act of 2013.

2 (31) Beginning on the effective date of this amendatory Act
3 of the 92nd General Assembly, computers and communications
4 equipment utilized for any hospital purpose and equipment used
5 in the diagnosis, analysis, or treatment of hospital patients
6 purchased by a lessor who leases the equipment, under a lease
7 of one year or longer executed or in effect at the time the
8 lessor would otherwise be subject to the tax imposed by this
9 Act, to a hospital that has been issued an active tax exemption
10 identification number by the Department under Section 1g of the
11 Retailers' Occupation Tax Act. If the equipment is leased in a
12 manner that does not qualify for this exemption or is used in
13 any other nonexempt manner, the lessor shall be liable for the
14 tax imposed under this Act or the Service Use Tax Act, as the
15 case may be, based on the fair market value of the property at
16 the time the nonqualifying use occurs. No lessor shall collect
17 or attempt to collect an amount (however designated) that
18 purports to reimburse that lessor for the tax imposed by this
19 Act or the Service Use Tax Act, as the case may be, if the tax
20 has not been paid by the lessor. If a lessor improperly
21 collects any such amount from the lessee, the lessee shall have
22 a legal right to claim a refund of that amount from the lessor.
23 If, however, that amount is not refunded to the lessee for any
24 reason, the lessor is liable to pay that amount to the
25 Department. This paragraph is exempt from the provisions of
26 Section 3-90.

1 (32) Beginning on the effective date of this amendatory Act
2 of the 92nd General Assembly, personal property purchased by a
3 lessor who leases the property, under a lease of one year or
4 longer executed or in effect at the time the lessor would
5 otherwise be subject to the tax imposed by this Act, to a
6 governmental body that has been issued an active sales tax
7 exemption identification number by the Department under
8 Section 1g of the Retailers' Occupation Tax Act. If the
9 property is leased in a manner that does not qualify for this
10 exemption or used in any other nonexempt manner, the lessor
11 shall be liable for the tax imposed under this Act or the
12 Service Use Tax Act, as the case may be, based on the fair
13 market value of the property at the time the nonqualifying use
14 occurs. No lessor shall collect or attempt to collect an amount
15 (however designated) that purports to reimburse that lessor for
16 the tax imposed by this Act or the Service Use Tax Act, as the
17 case may be, if the tax has not been paid by the lessor. If a
18 lessor improperly collects any such amount from the lessee, the
19 lessee shall have a legal right to claim a refund of that
20 amount from the lessor. If, however, that amount is not
21 refunded to the lessee for any reason, the lessor is liable to
22 pay that amount to the Department. This paragraph is exempt
23 from the provisions of Section 3-90.

24 (33) On and after July 1, 2003 and through June 30, 2004,
25 the use in this State of motor vehicles of the second division
26 with a gross vehicle weight in excess of 8,000 pounds and that

1 are subject to the commercial distribution fee imposed under
2 Section 3-815.1 of the Illinois Vehicle Code. Beginning on July
3 1, 2004 and through June 30, 2005, the use in this State of
4 motor vehicles of the second division: (i) with a gross vehicle
5 weight rating in excess of 8,000 pounds; (ii) that are subject
6 to the commercial distribution fee imposed under Section
7 3-815.1 of the Illinois Vehicle Code; and (iii) that are
8 primarily used for commercial purposes. Through June 30, 2005,
9 this exemption applies to repair and replacement parts added
10 after the initial purchase of such a motor vehicle if that
11 motor vehicle is used in a manner that would qualify for the
12 rolling stock exemption otherwise provided for in this Act. For
13 purposes of this paragraph, the term "used for commercial
14 purposes" means the transportation of persons or property in
15 furtherance of any commercial or industrial enterprise,
16 whether for-hire or not.

17 (34) Beginning January 1, 2008, tangible personal property
18 used in the construction or maintenance of a community water
19 supply, as defined under Section 3.145 of the Environmental
20 Protection Act, that is operated by a not-for-profit
21 corporation that holds a valid water supply permit issued under
22 Title IV of the Environmental Protection Act. This paragraph is
23 exempt from the provisions of Section 3-90.

24 (35) Beginning January 1, 2010, materials, parts,
25 equipment, components, and furnishings incorporated into or
26 upon an aircraft as part of the modification, refurbishment,

1 completion, replacement, repair, or maintenance of the
2 aircraft. This exemption includes consumable supplies used in
3 the modification, refurbishment, completion, replacement,
4 repair, and maintenance of aircraft, but excludes any
5 materials, parts, equipment, components, and consumable
6 supplies used in the modification, replacement, repair, and
7 maintenance of aircraft engines or power plants, whether such
8 engines or power plants are installed or uninstalled upon any
9 such aircraft. "Consumable supplies" include, but are not
10 limited to, adhesive, tape, sandpaper, general purpose
11 lubricants, cleaning solution, latex gloves, and protective
12 films. This exemption applies only to the use of qualifying
13 tangible personal property by persons who modify, refurbish,
14 complete, repair, replace, or maintain aircraft and who (i)
15 hold an Air Agency Certificate and are empowered to operate an
16 approved repair station by the Federal Aviation
17 Administration, (ii) have a Class IV Rating, and (iii) conduct
18 operations in accordance with Part 145 of the Federal Aviation
19 Regulations. The exemption does not include aircraft operated
20 by a commercial air carrier providing scheduled passenger air
21 service pursuant to authority issued under Part 121 or Part 129
22 of the Federal Aviation Regulations. The changes made to this
23 paragraph (35) by Public Act 98-534 are declarative of existing
24 law.

25 (36) Tangible personal property purchased by a
26 public-facilities corporation, as described in Section

1 11-65-10 of the Illinois Municipal Code, for purposes of
2 constructing or furnishing a municipal convention hall, but
3 only if the legal title to the municipal convention hall is
4 transferred to the municipality without any further
5 consideration by or on behalf of the municipality at the time
6 of the completion of the municipal convention hall or upon the
7 retirement or redemption of any bonds or other debt instruments
8 issued by the public-facilities corporation in connection with
9 the development of the municipal convention hall. This
10 exemption includes existing public-facilities corporations as
11 provided in Section 11-65-25 of the Illinois Municipal Code.
12 This paragraph is exempt from the provisions of Section 3-90.

13 (37) Beginning January 1, 2017, menstrual pads, tampons,
14 and menstrual cups.

15 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
16 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.
17 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.
18 7-29-15; 99-855, eff. 8-19-16.)

19 (35 ILCS 105/3-30) (from Ch. 120, par. 439.3-30)

20 Sec. 3-30. Graphic arts production. For the purposes of
21 this Act, "graphic arts production" means the production of
22 tangible personal property for wholesale or retail sale or
23 lease by means of printing, including ink jet printing, by one
24 or more of the processes described in Groups 323110 through
25 323122 of Subsector 323, Groups 511110 through 511199 of

1 Subsector 511, and Group 512230 of Subsector 512 of the North
2 American Industry Classification System published by the U.S.
3 Office of Management and Budget, 1997 edition. Graphic arts
4 production does not include (i) the transfer of images onto
5 paper or other tangible personal property by means of
6 photocopying or (ii) final printed products in electronic or
7 audio form, including the production of software or
8 audio-books. For purposes of this Section, persons engaged
9 primarily in the business of printing or publishing newspapers
10 or magazines that qualify as newsprint and ink, by one or more
11 of the processes described in Groups 511110 through 511199 of
12 subsector 511 of the North American Industry Classification
13 System published by the U.S. Office of Management and Budget,
14 1997 edition, are deemed to be engaged in graphic arts
15 production.

16 For the purposes of the exemption provided in paragraph (6)
17 of Section 3-5 of this Act, "production related tangible
18 personal property" means all tangible personal property that is
19 used or consumed by the purchaser in a graphic arts facility in
20 which graphic arts production takes place and includes, without
21 limitation, tangible personal property that is purchased for
22 incorporation into real estate within a graphic arts production
23 facility, supplies and consumables used in a graphic arts
24 production facility including fuels, coolants, solvents, oils,
25 lubricants, and adhesives, hand tools, protective apparel, and
26 fire and safety equipment used or consumed within a

1 manufacturing facility, and tangible personal property that is
2 used or consumed in activities such as research and
3 development, preproduction material handling, receiving,
4 quality control, inventory control, storage, staging, and
5 packaging for shipping and transportation purposes.
6 "Production related tangible personal property" does not
7 include (i) tangible personal property that is used, within or
8 without a graphic arts production facility, in sales,
9 purchasing, accounting, fiscal management, marketing,
10 personnel recruitment or selection, or landscaping or (ii)
11 tangible personal property that is required to be titled or
12 registered with a department, agency, or unit of federal,
13 State, or local government.

14 (Source: P.A. 96-116, eff. 7-31-09.)

15 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

16 Sec. 3-50. Manufacturing and assembly exemption. The
17 manufacturing and assembling machinery and equipment exemption
18 includes machinery and equipment that replaces machinery and
19 equipment in an existing manufacturing facility as well as
20 machinery and equipment that are for use in an expanded or new
21 manufacturing facility. The machinery and equipment exemption
22 also includes machinery and equipment used in the general
23 maintenance or repair of exempt machinery and equipment or for
24 in-house manufacture of exempt machinery and equipment. The
25 machinery and equipment exemption does not include machinery

1 and equipment used in (i) the generation of electricity for
2 wholesale or retail sale; (ii) the generation or treatment of
3 natural or artificial gas for wholesale or retail sale that is
4 delivered to customers through pipes, pipelines, or mains; or
5 (iii) the treatment of water for wholesale or retail sale that
6 is delivered to customers through pipes, pipelines, or mains.
7 The provisions of this amendatory Act of the 98th General
8 Assembly are declaratory of existing law as to the meaning and
9 scope of this exemption. For the purposes of this exemption,
10 terms have the following meanings:

11 (1) "Manufacturing process" means the production of an
12 article of tangible personal property, whether the article
13 is a finished product or an article for use in the process
14 of manufacturing or assembling a different article of
15 tangible personal property, by a procedure commonly
16 regarded as manufacturing, processing, fabricating, or
17 refining that changes some existing material into a
18 material with a different form, use, or name. In relation
19 to a recognized integrated business composed of a series of
20 operations that collectively constitute manufacturing, or
21 individually constitute manufacturing operations, the
22 manufacturing process commences with the first operation
23 or stage of production in the series and does not end until
24 the completion of the final product in the last operation
25 or stage of production in the series. For purposes of this
26 exemption, photoprocessing is a manufacturing process of

1 tangible personal property for wholesale or retail sale.

2 (2) "Assembling process" means the production of an
3 article of tangible personal property, whether the article
4 is a finished product or an article for use in the process
5 of manufacturing or assembling a different article of
6 tangible personal property, by the combination of existing
7 materials in a manner commonly regarded as assembling that
8 results in an article or material of a different form, use,
9 or name.

10 (3) "Machinery" means major mechanical machines or
11 major components of those machines contributing to a
12 manufacturing or assembling process.

13 (4) "Equipment" includes an independent device or tool
14 separate from machinery but essential to an integrated
15 manufacturing or assembly process; including computers
16 used primarily in a manufacturer's computer assisted
17 design, computer assisted manufacturing (CAD/CAM) system;
18 any subunit or assembly comprising a component of any
19 machinery or auxiliary, adjunct, or attachment parts of
20 machinery, such as tools, dies, jigs, fixtures, patterns,
21 and molds; and any parts that require periodic replacement
22 in the course of normal operation; but does not include
23 hand tools. Equipment includes chemicals or chemicals
24 acting as catalysts but only if the chemicals or chemicals
25 acting as catalysts effect a direct and immediate change
26 upon a product being manufactured or assembled for

1 wholesale or retail sale or lease.

2 (5) "Production related tangible personal property"
3 means all tangible personal property that is used or
4 consumed by the purchaser in a manufacturing facility in
5 which a manufacturing process takes place and includes,
6 without limitation, tangible personal property that is
7 purchased for incorporation into real estate within a
8 manufacturing facility, supplies and consumables used in a
9 manufacturing facility, including fuels, coolants,
10 solvents, oils, lubricants, and adhesives, hand tools,
11 protective apparel, and fire and safety equipment used or
12 consumed within a manufacturing facility, and tangible
13 personal property that is used or consumed in activities
14 such as research and development, preproduction material
15 handling, receiving, quality control, inventory control,
16 storage, staging, and packaging for shipping and
17 transportation purposes. "Production related tangible
18 personal property" does not include (i) tangible personal
19 property that is used, within or without a manufacturing
20 facility, in sales, purchasing, accounting, fiscal
21 management, marketing, personnel recruitment or selection,
22 or landscaping or (ii) tangible personal property that is
23 required to be titled or registered with a department,
24 agency, or unit of federal, State, or local government.

25 The manufacturing and assembling machinery and equipment
26 exemption includes production related tangible personal

1 property that is purchased on or after July 1, 2007 and on or
2 before June 30, 2008 and on and after July 1, 2014. The
3 exemption for production related tangible personal property
4 purchased on or after July 1, 2007 and on or before June 30,
5 2008 is subject to both of the following limitations:

6 (1) The maximum amount of the exemption for any one
7 taxpayer may not exceed 5% of the purchase price of
8 production related tangible personal property that is
9 purchased on or after July 1, 2007 and on or before June
10 30, 2008. A credit under Section 3-85 of this Act may not
11 be earned by the purchase of production related tangible
12 personal property for which an exemption is received under
13 this Section.

14 (2) The maximum aggregate amount of the exemptions for
15 production related tangible personal property purchased on
16 or after July 1, 2007 and on or before June 30, 2008
17 awarded under this Act and the Retailers' Occupation Tax
18 Act to all taxpayers may not exceed \$10,000,000. If the
19 claims for the exemption exceed \$10,000,000, then the
20 Department shall reduce the amount of the exemption to each
21 taxpayer on a pro rata basis.

22 The Department shall ~~may~~ adopt rules to implement and
23 administer the exemption for production related tangible
24 personal property.

25 The manufacturing and assembling machinery and equipment
26 exemption includes the sale of materials to a purchaser who

1 produces exempted types of machinery, equipment, or tools and
2 who rents or leases that machinery, equipment, or tools to a
3 manufacturer of tangible personal property. This exemption
4 also includes the sale of materials to a purchaser who
5 manufactures those materials into an exempted type of
6 machinery, equipment, or tools that the purchaser uses himself
7 or herself in the manufacturing of tangible personal property.
8 This exemption includes the sale of exempted types of machinery
9 or equipment to a purchaser who is not the manufacturer, but
10 who rents or leases the use of the property to a manufacturer.
11 The purchaser of the machinery and equipment who has an active
12 resale registration number shall furnish that number to the
13 seller at the time of purchase. A user of the machinery,
14 equipment, or tools without an active resale registration
15 number shall prepare a certificate of exemption for each
16 transaction stating facts establishing the exemption for that
17 transaction, and that certificate shall be available to the
18 Department for inspection or audit. The Department shall
19 prescribe the form of the certificate. Informal rulings,
20 opinions, or letters issued by the Department in response to an
21 inquiry or request for an opinion from any person regarding the
22 coverage and applicability of this exemption to specific
23 devices shall be published, maintained as a public record, and
24 made available for public inspection and copying. If the
25 informal ruling, opinion, or letter contains trade secrets or
26 other confidential information, where possible, the Department

1 shall delete that information before publication. Whenever
2 informal rulings, opinions, or letters contain a policy of
3 general applicability, the Department shall formulate and
4 adopt that policy as a rule in accordance with the Illinois
5 Administrative Procedure Act.

6 (Source: P.A. 98-583, eff. 1-1-14.)

7 Section 10. The Service Use Tax Act is amended by changing
8 Sections 2, 3-5, and 3-30 as follows:

9 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

10 Sec. 2. Definitions.

11 "Use" means the exercise by any person of any right or
12 power over tangible personal property incident to the ownership
13 of that property, but does not include the sale or use for
14 demonstration by him of that property in any form as tangible
15 personal property in the regular course of business. "Use" does
16 not mean the interim use of tangible personal property nor the
17 physical incorporation of tangible personal property, as an
18 ingredient or constituent, into other tangible personal
19 property, (a) which is sold in the regular course of business
20 or (b) which the person incorporating such ingredient or
21 constituent therein has undertaken at the time of such purchase
22 to cause to be transported in interstate commerce to
23 destinations outside the State of Illinois.

24 "Purchased from a serviceman" means the acquisition of the

1 ownership of, or title to, tangible personal property through a
2 sale of service.

3 "Purchaser" means any person who, through a sale of
4 service, acquires the ownership of, or title to, any tangible
5 personal property.

6 "Cost price" means the consideration paid by the serviceman
7 for a purchase valued in money, whether paid in money or
8 otherwise, including cash, credits and services, and shall be
9 determined without any deduction on account of the supplier's
10 cost of the property sold or on account of any other expense
11 incurred by the supplier. When a serviceman contracts out part
12 or all of the services required in his sale of service, it
13 shall be presumed that the cost price to the serviceman of the
14 property transferred to him or her by his or her subcontractor
15 is equal to 50% of the subcontractor's charges to the
16 serviceman in the absence of proof of the consideration paid by
17 the subcontractor for the purchase of such property.

18 "Selling price" means the consideration for a sale valued
19 in money whether received in money or otherwise, including
20 cash, credits and service, and shall be determined without any
21 deduction on account of the serviceman's cost of the property
22 sold, the cost of materials used, labor or service cost or any
23 other expense whatsoever, but does not include interest or
24 finance charges which appear as separate items on the bill of
25 sale or sales contract nor charges that are added to prices by
26 sellers on account of the seller's duty to collect, from the

1 purchaser, the tax that is imposed by this Act.

2 "Department" means the Department of Revenue.

3 "Person" means any natural individual, firm, partnership,
4 association, joint stock company, joint venture, public or
5 private corporation, limited liability company, and any
6 receiver, executor, trustee, guardian or other representative
7 appointed by order of any court.

8 "Sale of service" means any transaction except:

9 (1) a retail sale of tangible personal property taxable
10 under the Retailers' Occupation Tax Act or under the Use
11 Tax Act.

12 (2) a sale of tangible personal property for the
13 purpose of resale made in compliance with Section 2c of the
14 Retailers' Occupation Tax Act.

15 (3) except as hereinafter provided, a sale or transfer
16 of tangible personal property as an incident to the
17 rendering of service for or by any governmental body, or
18 for or by any corporation, society, association,
19 foundation or institution organized and operated
20 exclusively for charitable, religious or educational
21 purposes or any not-for-profit corporation, society,
22 association, foundation, institution or organization which
23 has no compensated officers or employees and which is
24 organized and operated primarily for the recreation of
25 persons 55 years of age or older. A limited liability
26 company may qualify for the exemption under this paragraph

1 only if the limited liability company is organized and
2 operated exclusively for educational purposes.

3 (4) a sale or transfer of tangible personal property as
4 an incident to the rendering of service for interstate
5 carriers for hire for use as rolling stock moving in
6 interstate commerce or by lessors under a lease of one year
7 or longer, executed or in effect at the time of purchase of
8 personal property, to interstate carriers for hire for use
9 as rolling stock moving in interstate commerce so long as
10 so used by such interstate carriers for hire, and equipment
11 operated by a telecommunications provider, licensed as a
12 common carrier by the Federal Communications Commission,
13 which is permanently installed in or affixed to aircraft
14 moving in interstate commerce.

15 (4a) a sale or transfer of tangible personal property
16 as an incident to the rendering of service for owners,
17 lessors, or shippers of tangible personal property which is
18 utilized by interstate carriers for hire for use as rolling
19 stock moving in interstate commerce so long as so used by
20 interstate carriers for hire, and equipment operated by a
21 telecommunications provider, licensed as a common carrier
22 by the Federal Communications Commission, which is
23 permanently installed in or affixed to aircraft moving in
24 interstate commerce.

25 (4a-5) on and after July 1, 2003 and through June 30,
26 2004, a sale or transfer of a motor vehicle of the second

1 division with a gross vehicle weight in excess of 8,000
2 pounds as an incident to the rendering of service if that
3 motor vehicle is subject to the commercial distribution fee
4 imposed under Section 3-815.1 of the Illinois Vehicle Code.
5 Beginning on July 1, 2004 and through June 30, 2005, the
6 use in this State of motor vehicles of the second division:
7 (i) with a gross vehicle weight rating in excess of 8,000
8 pounds; (ii) that are subject to the commercial
9 distribution fee imposed under Section 3-815.1 of the
10 Illinois Vehicle Code; and (iii) that are primarily used
11 for commercial purposes. Through June 30, 2005, this
12 exemption applies to repair and replacement parts added
13 after the initial purchase of such a motor vehicle if that
14 motor vehicle is used in a manner that would qualify for
15 the rolling stock exemption otherwise provided for in this
16 Act. For purposes of this paragraph, "used for commercial
17 purposes" means the transportation of persons or property
18 in furtherance of any commercial or industrial enterprise
19 whether for-hire or not.

20 (5) a sale or transfer of machinery and equipment used
21 primarily in the process of the manufacturing or
22 assembling, either in an existing, an expanded or a new
23 manufacturing facility, of tangible personal property for
24 wholesale or retail sale or lease, whether such sale or
25 lease is made directly by the manufacturer or by some other
26 person, whether the materials used in the process are owned

1 by the manufacturer or some other person, or whether such
2 sale or lease is made apart from or as an incident to the
3 seller's engaging in a service occupation and the
4 applicable tax is a Service Use Tax or Service Occupation
5 Tax, rather than Use Tax or Retailers' Occupation Tax. The
6 exemption provided by this paragraph (5) does not include
7 machinery and equipment used in (i) the generation of
8 electricity for wholesale or retail sale; (ii) the
9 generation or treatment of natural or artificial gas for
10 wholesale or retail sale that is delivered to customers
11 through pipes, pipelines, or mains; or (iii) the treatment
12 of water for wholesale or retail sale that is delivered to
13 customers through pipes, pipelines, or mains. The
14 provisions of this amendatory Act of the 98th General
15 Assembly are declaratory of existing law as to the meaning
16 and scope of this exemption. The exemption under this
17 paragraph (5) is exempt from the provisions of Section
18 3-75.

19 (5a) the repairing, reconditioning or remodeling, for
20 a common carrier by rail, of tangible personal property
21 which belongs to such carrier for hire, and as to which
22 such carrier receives the physical possession of the
23 repaired, reconditioned or remodeled item of tangible
24 personal property in Illinois, and which such carrier
25 transports, or shares with another common carrier in the
26 transportation of such property, out of Illinois on a

1 standard uniform bill of lading showing the person who
2 repaired, reconditioned or remodeled the property to a
3 destination outside Illinois, for use outside Illinois.

4 (5b) a sale or transfer of tangible personal property
5 which is produced by the seller thereof on special order in
6 such a way as to have made the applicable tax the Service
7 Occupation Tax or the Service Use Tax, rather than the
8 Retailers' Occupation Tax or the Use Tax, for an interstate
9 carrier by rail which receives the physical possession of
10 such property in Illinois, and which transports such
11 property, or shares with another common carrier in the
12 transportation of such property, out of Illinois on a
13 standard uniform bill of lading showing the seller of the
14 property as the shipper or consignor of such property to a
15 destination outside Illinois, for use outside Illinois.

16 (6) until July 1, 2003, a sale or transfer of
17 distillation machinery and equipment, sold as a unit or kit
18 and assembled or installed by the retailer, which machinery
19 and equipment is certified by the user to be used only for
20 the production of ethyl alcohol that will be used for
21 consumption as motor fuel or as a component of motor fuel
22 for the personal use of such user and not subject to sale
23 or resale.

24 (7) at the election of any serviceman not required to
25 be otherwise registered as a retailer under Section 2a of
26 the Retailers' Occupation Tax Act, made for each fiscal

1 year sales of service in which the aggregate annual cost
2 price of tangible personal property transferred as an
3 incident to the sales of service is less than 35%, or 75%
4 in the case of servicemen transferring prescription drugs
5 or servicemen engaged in graphic arts production, of the
6 aggregate annual total gross receipts from all sales of
7 service. The purchase of such tangible personal property by
8 the serviceman shall be subject to tax under the Retailers'
9 Occupation Tax Act and the Use Tax Act. However, if a
10 primary serviceman who has made the election described in
11 this paragraph subcontracts service work to a secondary
12 serviceman who has also made the election described in this
13 paragraph, the primary serviceman does not incur a Use Tax
14 liability if the secondary serviceman (i) has paid or will
15 pay Use Tax on his or her cost price of any tangible
16 personal property transferred to the primary serviceman
17 and (ii) certifies that fact in writing to the primary
18 serviceman.

19 Tangible personal property transferred incident to the
20 completion of a maintenance agreement is exempt from the tax
21 imposed pursuant to this Act.

22 Exemption (5) also includes machinery and equipment used in
23 the general maintenance or repair of such exempt machinery and
24 equipment or for in-house manufacture of exempt machinery and
25 equipment. Beginning on July 1, 2014, exemption (5) also
26 includes production related tangible personal property, as

1 defined in Section 3-50 of the Use Tax Act. The machinery and
2 equipment exemption does not include machinery and equipment
3 used in (i) the generation of electricity for wholesale or
4 retail sale; (ii) the generation or treatment of natural or
5 artificial gas for wholesale or retail sale that is delivered
6 to customers through pipes, pipelines, or mains; or (iii) the
7 treatment of water for wholesale or retail sale that is
8 delivered to customers through pipes, pipelines, or mains. The
9 provisions of this amendatory Act of the 98th General Assembly
10 are declaratory of existing law as to the meaning and scope of
11 this exemption. For the purposes of exemption (5), each of
12 these terms shall have the following meanings: (1)
13 "manufacturing process" shall mean the production of any
14 article of tangible personal property, whether such article is
15 a finished product or an article for use in the process of
16 manufacturing or assembling a different article of tangible
17 personal property, by procedures commonly regarded as
18 manufacturing, processing, fabricating, or refining which
19 changes some existing material or materials into a material
20 with a different form, use or name. In relation to a recognized
21 integrated business composed of a series of operations which
22 collectively constitute manufacturing, or individually
23 constitute manufacturing operations, the manufacturing process
24 shall be deemed to commence with the first operation or stage
25 of production in the series, and shall not be deemed to end
26 until the completion of the final product in the last operation

1 or stage of production in the series; and further, for purposes
2 of exemption (5), photoprocessing is deemed to be a
3 manufacturing process of tangible personal property for
4 wholesale or retail sale; (2) "assembling process" shall mean
5 the production of any article of tangible personal property,
6 whether such article is a finished product or an article for
7 use in the process of manufacturing or assembling a different
8 article of tangible personal property, by the combination of
9 existing materials in a manner commonly regarded as assembling
10 which results in a material of a different form, use or name;
11 (3) "machinery" shall mean major mechanical machines or major
12 components of such machines contributing to a manufacturing or
13 assembling process; and (4) "equipment" shall include any
14 independent device or tool separate from any machinery but
15 essential to an integrated manufacturing or assembly process;
16 including computers used primarily in a manufacturer's
17 computer assisted design, computer assisted manufacturing
18 (CAD/CAM) system; or any subunit or assembly comprising a
19 component of any machinery or auxiliary, adjunct or attachment
20 parts of machinery, such as tools, dies, jigs, fixtures,
21 patterns and molds; or any parts which require periodic
22 replacement in the course of normal operation; but shall not
23 include hand tools. Equipment includes chemicals or chemicals
24 acting as catalysts but only if the chemicals or chemicals
25 acting as catalysts effect a direct and immediate change upon a
26 product being manufactured or assembled for wholesale or retail

1 sale or lease. The purchaser of such machinery and equipment
2 who has an active resale registration number shall furnish such
3 number to the seller at the time of purchase. The user of such
4 machinery and equipment and tools without an active resale
5 registration number shall prepare a certificate of exemption
6 for each transaction stating facts establishing the exemption
7 for that transaction, which certificate shall be available to
8 the Department for inspection or audit. The Department shall
9 prescribe the form of the certificate.

10 Any informal rulings, opinions or letters issued by the
11 Department in response to an inquiry or request for any opinion
12 from any person regarding the coverage and applicability of
13 exemption (5) to specific devices shall be published,
14 maintained as a public record, and made available for public
15 inspection and copying. If the informal ruling, opinion or
16 letter contains trade secrets or other confidential
17 information, where possible the Department shall delete such
18 information prior to publication. Whenever such informal
19 rulings, opinions, or letters contain any policy of general
20 applicability, the Department shall formulate and adopt such
21 policy as a rule in accordance with the provisions of the
22 Illinois Administrative Procedure Act.

23 On and after July 1, 1987, no entity otherwise eligible
24 under exemption (3) of this Section shall make tax free
25 purchases unless it has an active exemption identification
26 number issued by the Department.

1 The purchase, employment and transfer of such tangible
2 personal property as newsprint and ink for the primary purpose
3 of conveying news (with or without other information) is not a
4 purchase, use or sale of service or of tangible personal
5 property within the meaning of this Act.

6 "Serviceman" means any person who is engaged in the
7 occupation of making sales of service.

8 "Sale at retail" means "sale at retail" as defined in the
9 Retailers' Occupation Tax Act.

10 "Supplier" means any person who makes sales of tangible
11 personal property to servicemen for the purpose of resale as an
12 incident to a sale of service.

13 "Serviceman maintaining a place of business in this State",
14 or any like term, means and includes any serviceman:

15 1. having or maintaining within this State, directly or
16 by a subsidiary, an office, distribution house, sales
17 house, warehouse or other place of business, or any agent
18 or other representative operating within this State under
19 the authority of the serviceman or its subsidiary,
20 irrespective of whether such place of business or agent or
21 other representative is located here permanently or
22 temporarily, or whether such serviceman or subsidiary is
23 licensed to do business in this State;

24 1.1. having a contract with a person located in this
25 State under which the person, for a commission or other
26 consideration based on the sale of service by the

1 serviceman, directly or indirectly refers potential
2 customers to the serviceman by providing to the potential
3 customers a promotional code or other mechanism that allows
4 the serviceman to track purchases referred by such persons.
5 Examples of mechanisms that allow the serviceman to track
6 purchases referred by such persons include but are not
7 limited to the use of a link on the person's Internet
8 website, promotional codes distributed through the
9 person's hand-delivered or mailed material, and
10 promotional codes distributed by the person through radio
11 or other broadcast media. The provisions of this paragraph
12 1.1 shall apply only if the cumulative gross receipts from
13 sales of service by the serviceman to customers who are
14 referred to the serviceman by all persons in this State
15 under such contracts exceed \$10,000 during the preceding 4
16 quarterly periods ending on the last day of March, June,
17 September, and December; a serviceman meeting the
18 requirements of this paragraph 1.1 shall be presumed to be
19 maintaining a place of business in this State but may rebut
20 this presumption by submitting proof that the referrals or
21 other activities pursued within this State by such persons
22 were not sufficient to meet the nexus standards of the
23 United States Constitution during the preceding 4
24 quarterly periods;

25 1.2. beginning July 1, 2011, having a contract with a
26 person located in this State under which:

1 A. the serviceman sells the same or substantially
2 similar line of services as the person located in this
3 State and does so using an identical or substantially
4 similar name, trade name, or trademark as the person
5 located in this State; and

6 B. the serviceman provides a commission or other
7 consideration to the person located in this State based
8 upon the sale of services by the serviceman.

9 The provisions of this paragraph 1.2 shall apply only if
10 the cumulative gross receipts from sales of service by the
11 serviceman to customers in this State under all such
12 contracts exceed \$10,000 during the preceding 4 quarterly
13 periods ending on the last day of March, June, September,
14 and December;

15 2. soliciting orders for tangible personal property by
16 means of a telecommunication or television shopping system
17 (which utilizes toll free numbers) which is intended by the
18 retailer to be broadcast by cable television or other means
19 of broadcasting, to consumers located in this State;

20 3. pursuant to a contract with a broadcaster or
21 publisher located in this State, soliciting orders for
22 tangible personal property by means of advertising which is
23 disseminated primarily to consumers located in this State
24 and only secondarily to bordering jurisdictions;

25 4. soliciting orders for tangible personal property by
26 mail if the solicitations are substantial and recurring and

1 if the retailer benefits from any banking, financing, debt
2 collection, telecommunication, or marketing activities
3 occurring in this State or benefits from the location in
4 this State of authorized installation, servicing, or
5 repair facilities;

6 5. being owned or controlled by the same interests
7 which own or control any retailer engaging in business in
8 the same or similar line of business in this State;

9 6. having a franchisee or licensee operating under its
10 trade name if the franchisee or licensee is required to
11 collect the tax under this Section;

12 7. pursuant to a contract with a cable television
13 operator located in this State, soliciting orders for
14 tangible personal property by means of advertising which is
15 transmitted or distributed over a cable television system
16 in this State; or

17 8. engaging in activities in Illinois, which
18 activities in the state in which the supply business
19 engaging in such activities is located would constitute
20 maintaining a place of business in that state.

21 (Source: P.A. 98-583, eff. 1-1-14; 98-1089, eff. 1-1-15.)

22 (35 ILCS 110/3-5)

23 Sec. 3-5. Exemptions. Use of the following tangible
24 personal property is exempt from the tax imposed by this Act:

25 (1) Personal property purchased from a corporation,

1 society, association, foundation, institution, or
2 organization, other than a limited liability company, that is
3 organized and operated as a not-for-profit service enterprise
4 for the benefit of persons 65 years of age or older if the
5 personal property was not purchased by the enterprise for the
6 purpose of resale by the enterprise.

7 (2) Personal property purchased by a non-profit Illinois
8 county fair association for use in conducting, operating, or
9 promoting the county fair.

10 (3) Personal property purchased by a not-for-profit arts or
11 cultural organization that establishes, by proof required by
12 the Department by rule, that it has received an exemption under
13 Section 501(c)(3) of the Internal Revenue Code and that is
14 organized and operated primarily for the presentation or
15 support of arts or cultural programming, activities, or
16 services. These organizations include, but are not limited to,
17 music and dramatic arts organizations such as symphony
18 orchestras and theatrical groups, arts and cultural service
19 organizations, local arts councils, visual arts organizations,
20 and media arts organizations. On and after the effective date
21 of this amendatory Act of the 92nd General Assembly, however,
22 an entity otherwise eligible for this exemption shall not make
23 tax-free purchases unless it has an active identification
24 number issued by the Department.

25 (4) Legal tender, currency, medallions, or gold or silver
26 coinage issued by the State of Illinois, the government of the

1 United States of America, or the government of any foreign
2 country, and bullion.

3 (5) Until July 1, 2003 and beginning again on September 1,
4 2004 ~~through August 30, 2014~~, graphic arts machinery and
5 equipment, including repair and replacement parts, both new and
6 used, and including that manufactured on special order or
7 purchased for lease, certified by the purchaser to be used
8 primarily for graphic arts production. Equipment includes
9 chemicals or chemicals acting as catalysts but only if the
10 chemicals or chemicals acting as catalysts effect a direct and
11 immediate change upon a graphic arts product. The exemption
12 provided by this paragraph (5) also includes production related
13 tangible personal property, as defined in Section 3-30,
14 purchased on or after July 1, 2014. It is the intent of the
15 General Assembly that the exemption under this paragraph (5)
16 applies continuously for all periods on and after September 1,
17 2004. Any actions taken in reliance on the continuation of the
18 exemption under this paragraph are hereby validated. The
19 exemption provided by this paragraph (5) is exempt from the
20 provisions of Section 3-75.

21 (6) Personal property purchased from a teacher-sponsored
22 student organization affiliated with an elementary or
23 secondary school located in Illinois.

24 (7) Farm machinery and equipment, both new and used,
25 including that manufactured on special order, certified by the
26 purchaser to be used primarily for production agriculture or

1 State or federal agricultural programs, including individual
2 replacement parts for the machinery and equipment, including
3 machinery and equipment purchased for lease, and including
4 implements of husbandry defined in Section 1-130 of the
5 Illinois Vehicle Code, farm machinery and agricultural
6 chemical and fertilizer spreaders, and nurse wagons required to
7 be registered under Section 3-809 of the Illinois Vehicle Code,
8 but excluding other motor vehicles required to be registered
9 under the Illinois Vehicle Code. Horticultural polyhouses or
10 hoop houses used for propagating, growing, or overwintering
11 plants shall be considered farm machinery and equipment under
12 this item (7). Agricultural chemical tender tanks and dry boxes
13 shall include units sold separately from a motor vehicle
14 required to be licensed and units sold mounted on a motor
15 vehicle required to be licensed if the selling price of the
16 tender is separately stated.

17 Farm machinery and equipment shall include precision
18 farming equipment that is installed or purchased to be
19 installed on farm machinery and equipment including, but not
20 limited to, tractors, harvesters, sprayers, planters, seeders,
21 or spreaders. Precision farming equipment includes, but is not
22 limited to, soil testing sensors, computers, monitors,
23 software, global positioning and mapping systems, and other
24 such equipment.

25 Farm machinery and equipment also includes computers,
26 sensors, software, and related equipment used primarily in the

1 computer-assisted operation of production agriculture
2 facilities, equipment, and activities such as, but not limited
3 to, the collection, monitoring, and correlation of animal and
4 crop data for the purpose of formulating animal diets and
5 agricultural chemicals. This item (7) is exempt from the
6 provisions of Section 3-75.

7 (8) Until June 30, 2013, fuel and petroleum products sold
8 to or used by an air common carrier, certified by the carrier
9 to be used for consumption, shipment, or storage in the conduct
10 of its business as an air common carrier, for a flight destined
11 for or returning from a location or locations outside the
12 United States without regard to previous or subsequent domestic
13 stopovers.

14 Beginning July 1, 2013, fuel and petroleum products sold to
15 or used by an air carrier, certified by the carrier to be used
16 for consumption, shipment, or storage in the conduct of its
17 business as an air common carrier, for a flight that (i) is
18 engaged in foreign trade or is engaged in trade between the
19 United States and any of its possessions and (ii) transports at
20 least one individual or package for hire from the city of
21 origination to the city of final destination on the same
22 aircraft, without regard to a change in the flight number of
23 that aircraft.

24 (9) Proceeds of mandatory service charges separately
25 stated on customers' bills for the purchase and consumption of
26 food and beverages acquired as an incident to the purchase of a

1 service from a serviceman, to the extent that the proceeds of
2 the service charge are in fact turned over as tips or as a
3 substitute for tips to the employees who participate directly
4 in preparing, serving, hosting or cleaning up the food or
5 beverage function with respect to which the service charge is
6 imposed.

7 (10) Until July 1, 2003, oil field exploration, drilling,
8 and production equipment, including (i) rigs and parts of rigs,
9 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
10 tubular goods, including casing and drill strings, (iii) pumps
11 and pump-jack units, (iv) storage tanks and flow lines, (v) any
12 individual replacement part for oil field exploration,
13 drilling, and production equipment, and (vi) machinery and
14 equipment purchased for lease; but excluding motor vehicles
15 required to be registered under the Illinois Vehicle Code.

16 (11) Proceeds from the sale of photoprocessing machinery
17 and equipment, including repair and replacement parts, both new
18 and used, including that manufactured on special order,
19 certified by the purchaser to be used primarily for
20 photoprocessing, and including photoprocessing machinery and
21 equipment purchased for lease.

22 (12) Coal and aggregate exploration, mining, off-highway
23 hauling, processing, maintenance, and reclamation equipment,
24 including replacement parts and equipment, and including
25 equipment purchased for lease, but excluding motor vehicles
26 required to be registered under the Illinois Vehicle Code. The

1 changes made to this Section by Public Act 97-767 apply on and
2 after July 1, 2003, but no claim for credit or refund is
3 allowed on or after August 16, 2013 (the effective date of
4 Public Act 98-456) for such taxes paid during the period
5 beginning July 1, 2003 and ending on August 16, 2013 (the
6 effective date of Public Act 98-456).

7 (13) Semen used for artificial insemination of livestock
8 for direct agricultural production.

9 (14) Horses, or interests in horses, registered with and
10 meeting the requirements of any of the Arabian Horse Club
11 Registry of America, Appaloosa Horse Club, American Quarter
12 Horse Association, United States Trotting Association, or
13 Jockey Club, as appropriate, used for purposes of breeding or
14 racing for prizes. This item (14) is exempt from the provisions
15 of Section 3-75, and the exemption provided for under this item
16 (14) applies for all periods beginning May 30, 1995, but no
17 claim for credit or refund is allowed on or after the effective
18 date of this amendatory Act of the 95th General Assembly for
19 such taxes paid during the period beginning May 30, 2000 and
20 ending on the effective date of this amendatory Act of the 95th
21 General Assembly.

22 (15) Computers and communications equipment utilized for
23 any hospital purpose and equipment used in the diagnosis,
24 analysis, or treatment of hospital patients purchased by a
25 lessor who leases the equipment, under a lease of one year or
26 longer executed or in effect at the time the lessor would

1 otherwise be subject to the tax imposed by this Act, to a
2 hospital that has been issued an active tax exemption
3 identification number by the Department under Section 1g of the
4 Retailers' Occupation Tax Act. If the equipment is leased in a
5 manner that does not qualify for this exemption or is used in
6 any other non-exempt manner, the lessor shall be liable for the
7 tax imposed under this Act or the Use Tax Act, as the case may
8 be, based on the fair market value of the property at the time
9 the non-qualifying use occurs. No lessor shall collect or
10 attempt to collect an amount (however designated) that purports
11 to reimburse that lessor for the tax imposed by this Act or the
12 Use Tax Act, as the case may be, if the tax has not been paid by
13 the lessor. If a lessor improperly collects any such amount
14 from the lessee, the lessee shall have a legal right to claim a
15 refund of that amount from the lessor. If, however, that amount
16 is not refunded to the lessee for any reason, the lessor is
17 liable to pay that amount to the Department.

18 (16) Personal property purchased by a lessor who leases the
19 property, under a lease of one year or longer executed or in
20 effect at the time the lessor would otherwise be subject to the
21 tax imposed by this Act, to a governmental body that has been
22 issued an active tax exemption identification number by the
23 Department under Section 1g of the Retailers' Occupation Tax
24 Act. If the property is leased in a manner that does not
25 qualify for this exemption or is used in any other non-exempt
26 manner, the lessor shall be liable for the tax imposed under

1 this Act or the Use Tax Act, as the case may be, based on the
2 fair market value of the property at the time the
3 non-qualifying use occurs. No lessor shall collect or attempt
4 to collect an amount (however designated) that purports to
5 reimburse that lessor for the tax imposed by this Act or the
6 Use Tax Act, as the case may be, if the tax has not been paid by
7 the lessor. If a lessor improperly collects any such amount
8 from the lessee, the lessee shall have a legal right to claim a
9 refund of that amount from the lessor. If, however, that amount
10 is not refunded to the lessee for any reason, the lessor is
11 liable to pay that amount to the Department.

12 (17) Beginning with taxable years ending on or after
13 December 31, 1995 and ending with taxable years ending on or
14 before December 31, 2004, personal property that is donated for
15 disaster relief to be used in a State or federally declared
16 disaster area in Illinois or bordering Illinois by a
17 manufacturer or retailer that is registered in this State to a
18 corporation, society, association, foundation, or institution
19 that has been issued a sales tax exemption identification
20 number by the Department that assists victims of the disaster
21 who reside within the declared disaster area.

22 (18) Beginning with taxable years ending on or after
23 December 31, 1995 and ending with taxable years ending on or
24 before December 31, 2004, personal property that is used in the
25 performance of infrastructure repairs in this State, including
26 but not limited to municipal roads and streets, access roads,

1 bridges, sidewalks, waste disposal systems, water and sewer
2 line extensions, water distribution and purification
3 facilities, storm water drainage and retention facilities, and
4 sewage treatment facilities, resulting from a State or
5 federally declared disaster in Illinois or bordering Illinois
6 when such repairs are initiated on facilities located in the
7 declared disaster area within 6 months after the disaster.

8 (19) Beginning July 1, 1999, game or game birds purchased
9 at a "game breeding and hunting preserve area" as that term is
10 used in the Wildlife Code. This paragraph is exempt from the
11 provisions of Section 3-75.

12 (20) A motor vehicle, as that term is defined in Section
13 1-146 of the Illinois Vehicle Code, that is donated to a
14 corporation, limited liability company, society, association,
15 foundation, or institution that is determined by the Department
16 to be organized and operated exclusively for educational
17 purposes. For purposes of this exemption, "a corporation,
18 limited liability company, society, association, foundation,
19 or institution organized and operated exclusively for
20 educational purposes" means all tax-supported public schools,
21 private schools that offer systematic instruction in useful
22 branches of learning by methods common to public schools and
23 that compare favorably in their scope and intensity with the
24 course of study presented in tax-supported schools, and
25 vocational or technical schools or institutes organized and
26 operated exclusively to provide a course of study of not less

1 than 6 weeks duration and designed to prepare individuals to
2 follow a trade or to pursue a manual, technical, mechanical,
3 industrial, business, or commercial occupation.

4 (21) Beginning January 1, 2000, personal property,
5 including food, purchased through fundraising events for the
6 benefit of a public or private elementary or secondary school,
7 a group of those schools, or one or more school districts if
8 the events are sponsored by an entity recognized by the school
9 district that consists primarily of volunteers and includes
10 parents and teachers of the school children. This paragraph
11 does not apply to fundraising events (i) for the benefit of
12 private home instruction or (ii) for which the fundraising
13 entity purchases the personal property sold at the events from
14 another individual or entity that sold the property for the
15 purpose of resale by the fundraising entity and that profits
16 from the sale to the fundraising entity. This paragraph is
17 exempt from the provisions of Section 3-75.

18 (22) Beginning January 1, 2000 and through December 31,
19 2001, new or used automatic vending machines that prepare and
20 serve hot food and beverages, including coffee, soup, and other
21 items, and replacement parts for these machines. Beginning
22 January 1, 2002 and through June 30, 2003, machines and parts
23 for machines used in commercial, coin-operated amusement and
24 vending business if a use or occupation tax is paid on the
25 gross receipts derived from the use of the commercial,
26 coin-operated amusement and vending machines. This paragraph

1 is exempt from the provisions of Section 3-75.

2 (23) Beginning August 23, 2001 and through June 30, 2016,
3 food for human consumption that is to be consumed off the
4 premises where it is sold (other than alcoholic beverages, soft
5 drinks, and food that has been prepared for immediate
6 consumption) and prescription and nonprescription medicines,
7 drugs, medical appliances, and insulin, urine testing
8 materials, syringes, and needles used by diabetics, for human
9 use, when purchased for use by a person receiving medical
10 assistance under Article V of the Illinois Public Aid Code who
11 resides in a licensed long-term care facility, as defined in
12 the Nursing Home Care Act, or in a licensed facility as defined
13 in the ID/DD Community Care Act, the MC/DD Act, or the
14 Specialized Mental Health Rehabilitation Act of 2013.

15 (24) Beginning on the effective date of this amendatory Act
16 of the 92nd General Assembly, computers and communications
17 equipment utilized for any hospital purpose and equipment used
18 in the diagnosis, analysis, or treatment of hospital patients
19 purchased by a lessor who leases the equipment, under a lease
20 of one year or longer executed or in effect at the time the
21 lessor would otherwise be subject to the tax imposed by this
22 Act, to a hospital that has been issued an active tax exemption
23 identification number by the Department under Section 1g of the
24 Retailers' Occupation Tax Act. If the equipment is leased in a
25 manner that does not qualify for this exemption or is used in
26 any other nonexempt manner, the lessor shall be liable for the

1 tax imposed under this Act or the Use Tax Act, as the case may
2 be, based on the fair market value of the property at the time
3 the nonqualifying use occurs. No lessor shall collect or
4 attempt to collect an amount (however designated) that purports
5 to reimburse that lessor for the tax imposed by this Act or the
6 Use Tax Act, as the case may be, if the tax has not been paid by
7 the lessor. If a lessor improperly collects any such amount
8 from the lessee, the lessee shall have a legal right to claim a
9 refund of that amount from the lessor. If, however, that amount
10 is not refunded to the lessee for any reason, the lessor is
11 liable to pay that amount to the Department. This paragraph is
12 exempt from the provisions of Section 3-75.

13 (25) Beginning on the effective date of this amendatory Act
14 of the 92nd General Assembly, personal property purchased by a
15 lessor who leases the property, under a lease of one year or
16 longer executed or in effect at the time the lessor would
17 otherwise be subject to the tax imposed by this Act, to a
18 governmental body that has been issued an active tax exemption
19 identification number by the Department under Section 1g of the
20 Retailers' Occupation Tax Act. If the property is leased in a
21 manner that does not qualify for this exemption or is used in
22 any other nonexempt manner, the lessor shall be liable for the
23 tax imposed under this Act or the Use Tax Act, as the case may
24 be, based on the fair market value of the property at the time
25 the nonqualifying use occurs. No lessor shall collect or
26 attempt to collect an amount (however designated) that purports

1 to reimburse that lessor for the tax imposed by this Act or the
2 Use Tax Act, as the case may be, if the tax has not been paid by
3 the lessor. If a lessor improperly collects any such amount
4 from the lessee, the lessee shall have a legal right to claim a
5 refund of that amount from the lessor. If, however, that amount
6 is not refunded to the lessee for any reason, the lessor is
7 liable to pay that amount to the Department. This paragraph is
8 exempt from the provisions of Section 3-75.

9 (26) Beginning January 1, 2008, tangible personal property
10 used in the construction or maintenance of a community water
11 supply, as defined under Section 3.145 of the Environmental
12 Protection Act, that is operated by a not-for-profit
13 corporation that holds a valid water supply permit issued under
14 Title IV of the Environmental Protection Act. This paragraph is
15 exempt from the provisions of Section 3-75.

16 (27) Beginning January 1, 2010, materials, parts,
17 equipment, components, and furnishings incorporated into or
18 upon an aircraft as part of the modification, refurbishment,
19 completion, replacement, repair, or maintenance of the
20 aircraft. This exemption includes consumable supplies used in
21 the modification, refurbishment, completion, replacement,
22 repair, and maintenance of aircraft, but excludes any
23 materials, parts, equipment, components, and consumable
24 supplies used in the modification, replacement, repair, and
25 maintenance of aircraft engines or power plants, whether such
26 engines or power plants are installed or uninstalled upon any

1 such aircraft. "Consumable supplies" include, but are not
2 limited to, adhesive, tape, sandpaper, general purpose
3 lubricants, cleaning solution, latex gloves, and protective
4 films. This exemption applies only to the use of qualifying
5 tangible personal property transferred incident to the
6 modification, refurbishment, completion, replacement, repair,
7 or maintenance of aircraft by persons who (i) hold an Air
8 Agency Certificate and are empowered to operate an approved
9 repair station by the Federal Aviation Administration, (ii)
10 have a Class IV Rating, and (iii) conduct operations in
11 accordance with Part 145 of the Federal Aviation Regulations.
12 The exemption does not include aircraft operated by a
13 commercial air carrier providing scheduled passenger air
14 service pursuant to authority issued under Part 121 or Part 129
15 of the Federal Aviation Regulations. The changes made to this
16 paragraph (27) by Public Act 98-534 are declarative of existing
17 law.

18 (28) Tangible personal property purchased by a
19 public-facilities corporation, as described in Section
20 11-65-10 of the Illinois Municipal Code, for purposes of
21 constructing or furnishing a municipal convention hall, but
22 only if the legal title to the municipal convention hall is
23 transferred to the municipality without any further
24 consideration by or on behalf of the municipality at the time
25 of the completion of the municipal convention hall or upon the
26 retirement or redemption of any bonds or other debt instruments

1 issued by the public-facilities corporation in connection with
2 the development of the municipal convention hall. This
3 exemption includes existing public-facilities corporations as
4 provided in Section 11-65-25 of the Illinois Municipal Code.
5 This paragraph is exempt from the provisions of Section 3-75.

6 (29) Beginning January 1, 2017, menstrual pads, tampons,
7 and menstrual cups.

8 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
9 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.
10 7-16-14; 99-180, eff. 7-29-15; 99-855, eff. 8-19-16.)

11 (35 ILCS 110/3-30) (from Ch. 120, par. 439.33-30)

12 Sec. 3-30. Graphic arts production. For the purposes of
13 this Act, "graphic arts production" means the production of
14 tangible personal property for wholesale or retail sale or
15 lease by means of printing, including ink jet printing, by one
16 or more of the processes described in Groups 323110 through
17 323122 of Subsector 323, Groups 511110 through 511199 of
18 Subsector 511, and Group 512230 of Subsector 512 of the North
19 American Industry Classification System published by the U.S.
20 Office of Management and Budget, 1997 edition. Graphic arts
21 production does not include (i) the transfer of images onto
22 paper or other tangible personal property by means of
23 photocopying or (ii) final printed products in electronic or
24 audio form, including the production of software or
25 audio-books. For purposes of this Section, persons engaged

1 primarily in the business of printing or publishing newspapers
2 or magazines that qualify as newsprint and ink, by one or more
3 of the processes described in Groups 511110 through 511199 of
4 subsector 511 of the North American Industry Classification
5 System published by the U.S. Office of Management and Budget,
6 1997 edition, are deemed to be engaged in graphic arts
7 production.

8 For the purposes of the exemption provided in paragraph (5)
9 of Section 3-5 of this Act, "production related tangible
10 personal property" means all tangible personal property that is
11 used or consumed by the purchaser in a graphic arts facility in
12 which graphic arts production takes place and includes, without
13 limitation, tangible personal property that is purchased for
14 incorporation into real estate within a graphic arts production
15 facility, supplies and consumables used in a graphic arts
16 production facility including fuels, coolants, solvents, oils,
17 lubricants, and adhesives, hand tools, protective apparel, and
18 fire and safety equipment used or consumed within a
19 manufacturing facility, and tangible personal property that is
20 used or consumed in activities such as research and
21 development, preproduction material handling, receiving,
22 quality control, inventory control, storage, staging, and
23 packaging for shipping and transportation purposes.
24 "Production related tangible personal property" does not
25 include (i) tangible personal property that is used, within or
26 without a graphic arts production facility, in sales,

1 purchasing, accounting, fiscal management, marketing,
2 personnel recruitment or selection, or landscaping or (ii)
3 tangible personal property that is required to be titled or
4 registered with a department, agency, or unit of federal,
5 State, or local government.

6 (Source: P.A. 96-116, eff. 7-31-09.)

7 Section 15. The Service Occupation Tax Act is amended by
8 changing Sections 2, 3-5, and 3-30 as follows:

9 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

10 Sec. 2. "Transfer" means any transfer of the title to
11 property or of the ownership of property whether or not the
12 transferor retains title as security for the payment of amounts
13 due him from the transferee.

14 "Cost Price" means the consideration paid by the serviceman
15 for a purchase valued in money, whether paid in money or
16 otherwise, including cash, credits and services, and shall be
17 determined without any deduction on account of the supplier's
18 cost of the property sold or on account of any other expense
19 incurred by the supplier. When a serviceman contracts out part
20 or all of the services required in his sale of service, it
21 shall be presumed that the cost price to the serviceman of the
22 property transferred to him by his or her subcontractor is
23 equal to 50% of the subcontractor's charges to the serviceman
24 in the absence of proof of the consideration paid by the

1 subcontractor for the purchase of such property.

2 "Department" means the Department of Revenue.

3 "Person" means any natural individual, firm, partnership,
4 association, joint stock company, joint venture, public or
5 private corporation, limited liability company, and any
6 receiver, executor, trustee, guardian or other representative
7 appointed by order of any court.

8 "Sale of Service" means any transaction except:

9 (a) A retail sale of tangible personal property taxable
10 under the Retailers' Occupation Tax Act or under the Use Tax
11 Act.

12 (b) A sale of tangible personal property for the purpose of
13 resale made in compliance with Section 2c of the Retailers'
14 Occupation Tax Act.

15 (c) Except as hereinafter provided, a sale or transfer of
16 tangible personal property as an incident to the rendering of
17 service for or by any governmental body or for or by any
18 corporation, society, association, foundation or institution
19 organized and operated exclusively for charitable, religious
20 or educational purposes or any not-for-profit corporation,
21 society, association, foundation, institution or organization
22 which has no compensated officers or employees and which is
23 organized and operated primarily for the recreation of persons
24 55 years of age or older. A limited liability company may
25 qualify for the exemption under this paragraph only if the
26 limited liability company is organized and operated

1 exclusively for educational purposes.

2 (d) A sale or transfer of tangible personal property as an
3 incident to the rendering of service for interstate carriers
4 for hire for use as rolling stock moving in interstate commerce
5 or lessors under leases of one year or longer, executed or in
6 effect at the time of purchase, to interstate carriers for hire
7 for use as rolling stock moving in interstate commerce, and
8 equipment operated by a telecommunications provider, licensed
9 as a common carrier by the Federal Communications Commission,
10 which is permanently installed in or affixed to aircraft moving
11 in interstate commerce.

12 (d-1) A sale or transfer of tangible personal property as
13 an incident to the rendering of service for owners, lessors or
14 shippers of tangible personal property which is utilized by
15 interstate carriers for hire for use as rolling stock moving in
16 interstate commerce, and equipment operated by a
17 telecommunications provider, licensed as a common carrier by
18 the Federal Communications Commission, which is permanently
19 installed in or affixed to aircraft moving in interstate
20 commerce.

21 (d-1.1) On and after July 1, 2003 and through June 30,
22 2004, a sale or transfer of a motor vehicle of the second
23 division with a gross vehicle weight in excess of 8,000 pounds
24 as an incident to the rendering of service if that motor
25 vehicle is subject to the commercial distribution fee imposed
26 under Section 3-815.1 of the Illinois Vehicle Code. Beginning

1 on July 1, 2004 and through June 30, 2005, the use in this
2 State of motor vehicles of the second division: (i) with a
3 gross vehicle weight rating in excess of 8,000 pounds; (ii)
4 that are subject to the commercial distribution fee imposed
5 under Section 3-815.1 of the Illinois Vehicle Code; and (iii)
6 that are primarily used for commercial purposes. Through June
7 30, 2005, this exemption applies to repair and replacement
8 parts added after the initial purchase of such a motor vehicle
9 if that motor vehicle is used in a manner that would qualify
10 for the rolling stock exemption otherwise provided for in this
11 Act. For purposes of this paragraph, "used for commercial
12 purposes" means the transportation of persons or property in
13 furtherance of any commercial or industrial enterprise whether
14 for-hire or not.

15 (d-2) The repairing, reconditioning or remodeling, for a
16 common carrier by rail, of tangible personal property which
17 belongs to such carrier for hire, and as to which such carrier
18 receives the physical possession of the repaired,
19 reconditioned or remodeled item of tangible personal property
20 in Illinois, and which such carrier transports, or shares with
21 another common carrier in the transportation of such property,
22 out of Illinois on a standard uniform bill of lading showing
23 the person who repaired, reconditioned or remodeled the
24 property as the shipper or consignor of such property to a
25 destination outside Illinois, for use outside Illinois.

26 (d-3) A sale or transfer of tangible personal property

1 which is produced by the seller thereof on special order in
2 such a way as to have made the applicable tax the Service
3 Occupation Tax or the Service Use Tax, rather than the
4 Retailers' Occupation Tax or the Use Tax, for an interstate
5 carrier by rail which receives the physical possession of such
6 property in Illinois, and which transports such property, or
7 shares with another common carrier in the transportation of
8 such property, out of Illinois on a standard uniform bill of
9 lading showing the seller of the property as the shipper or
10 consignor of such property to a destination outside Illinois,
11 for use outside Illinois.

12 (d-4) Until January 1, 1997, a sale, by a registered
13 serviceman paying tax under this Act to the Department, of
14 special order printed materials delivered outside Illinois and
15 which are not returned to this State, if delivery is made by
16 the seller or agent of the seller, including an agent who
17 causes the product to be delivered outside Illinois by a common
18 carrier or the U.S. postal service.

19 (e) A sale or transfer of machinery and equipment used
20 primarily in the process of the manufacturing or assembling,
21 either in an existing, an expanded or a new manufacturing
22 facility, of tangible personal property for wholesale or retail
23 sale or lease, whether such sale or lease is made directly by
24 the manufacturer or by some other person, whether the materials
25 used in the process are owned by the manufacturer or some other
26 person, or whether such sale or lease is made apart from or as

1 an incident to the seller's engaging in a service occupation
2 and the applicable tax is a Service Occupation Tax or Service
3 Use Tax, rather than Retailers' Occupation Tax or Use Tax. The
4 exemption provided by this paragraph (e) does not include
5 machinery and equipment used in (i) the generation of
6 electricity for wholesale or retail sale; (ii) the generation
7 or treatment of natural or artificial gas for wholesale or
8 retail sale that is delivered to customers through pipes,
9 pipelines, or mains; or (iii) the treatment of water for
10 wholesale or retail sale that is delivered to customers through
11 pipes, pipelines, or mains. The provisions of this amendatory
12 Act of the 98th General Assembly are declaratory of existing
13 law as to the meaning and scope of this exemption. The
14 exemption under this subsection (e) is exempt from the
15 provisions of Section 3-55.

16 (f) Until July 1, 2003, the sale or transfer of
17 distillation machinery and equipment, sold as a unit or kit and
18 assembled or installed by the retailer, which machinery and
19 equipment is certified by the user to be used only for the
20 production of ethyl alcohol that will be used for consumption
21 as motor fuel or as a component of motor fuel for the personal
22 use of such user and not subject to sale or resale.

23 (g) At the election of any serviceman not required to be
24 otherwise registered as a retailer under Section 2a of the
25 Retailers' Occupation Tax Act, made for each fiscal year sales
26 of service in which the aggregate annual cost price of tangible

1 personal property transferred as an incident to the sales of
2 service is less than 35% (75% in the case of servicemen
3 transferring prescription drugs or servicemen engaged in
4 graphic arts production) of the aggregate annual total gross
5 receipts from all sales of service. The purchase of such
6 tangible personal property by the serviceman shall be subject
7 to tax under the Retailers' Occupation Tax Act and the Use Tax
8 Act. However, if a primary serviceman who has made the election
9 described in this paragraph subcontracts service work to a
10 secondary serviceman who has also made the election described
11 in this paragraph, the primary serviceman does not incur a Use
12 Tax liability if the secondary serviceman (i) has paid or will
13 pay Use Tax on his or her cost price of any tangible personal
14 property transferred to the primary serviceman and (ii)
15 certifies that fact in writing to the primary serviceman.

16 Tangible personal property transferred incident to the
17 completion of a maintenance agreement is exempt from the tax
18 imposed pursuant to this Act.

19 Exemption (e) also includes machinery and equipment used in
20 the general maintenance or repair of such exempt machinery and
21 equipment or for in-house manufacture of exempt machinery and
22 equipment. Beginning on July 1, 2014, exemption (e) also
23 includes production related tangible personal property, as
24 defined in Section 2-45 of the Retailers' Occupation Tax Act.
25 The machinery and equipment exemption does not include
26 machinery and equipment used in (i) the generation of

1 electricity for wholesale or retail sale; (ii) the generation
2 or treatment of natural or artificial gas for wholesale or
3 retail sale that is delivered to customers through pipes,
4 pipelines, or mains; or (iii) the treatment of water for
5 wholesale or retail sale that is delivered to customers through
6 pipes, pipelines, or mains. The provisions of this amendatory
7 Act of the 98th General Assembly are declaratory of existing
8 law as to the meaning and scope of this exemption. For the
9 purposes of exemption (e), each of these terms shall have the
10 following meanings: (1) "manufacturing process" shall mean the
11 production of any article of tangible personal property,
12 whether such article is a finished product or an article for
13 use in the process of manufacturing or assembling a different
14 article of tangible personal property, by procedures commonly
15 regarded as manufacturing, processing, fabricating, or
16 refining which changes some existing material or materials into
17 a material with a different form, use or name. In relation to a
18 recognized integrated business composed of a series of
19 operations which collectively constitute manufacturing, or
20 individually constitute manufacturing operations, the
21 manufacturing process shall be deemed to commence with the
22 first operation or stage of production in the series, and shall
23 not be deemed to end until the completion of the final product
24 in the last operation or stage of production in the series; and
25 further for purposes of exemption (e), photoprocessing is
26 deemed to be a manufacturing process of tangible personal

1 property for wholesale or retail sale; (2) "assembling process"
2 shall mean the production of any article of tangible personal
3 property, whether such article is a finished product or an
4 article for use in the process of manufacturing or assembling a
5 different article of tangible personal property, by the
6 combination of existing materials in a manner commonly regarded
7 as assembling which results in a material of a different form,
8 use or name; (3) "machinery" shall mean major mechanical
9 machines or major components of such machines contributing to a
10 manufacturing or assembling process; and (4) "equipment" shall
11 include any independent device or tool separate from any
12 machinery but essential to an integrated manufacturing or
13 assembly process; including computers used primarily in a
14 manufacturer's computer assisted design, computer assisted
15 manufacturing (CAD/CAM) system; or any subunit or assembly
16 comprising a component of any machinery or auxiliary, adjunct
17 or attachment parts of machinery, such as tools, dies, jigs,
18 fixtures, patterns and molds; or any parts which require
19 periodic replacement in the course of normal operation; but
20 shall not include hand tools. Equipment includes chemicals or
21 chemicals acting as catalysts but only if the chemicals or
22 chemicals acting as catalysts effect a direct and immediate
23 change upon a product being manufactured or assembled for
24 wholesale or retail sale or lease. The purchaser of such
25 machinery and equipment who has an active resale registration
26 number shall furnish such number to the seller at the time of

1 purchase. The purchaser of such machinery and equipment and
2 tools without an active resale registration number shall
3 furnish to the seller a certificate of exemption for each
4 transaction stating facts establishing the exemption for that
5 transaction, which certificate shall be available to the
6 Department for inspection or audit.

7 Except as provided in Section 2d of this Act, the rolling
8 stock exemption applies to rolling stock used by an interstate
9 carrier for hire, even just between points in Illinois, if such
10 rolling stock transports, for hire, persons whose journeys or
11 property whose shipments originate or terminate outside
12 Illinois.

13 Any informal rulings, opinions or letters issued by the
14 Department in response to an inquiry or request for any opinion
15 from any person regarding the coverage and applicability of
16 exemption (e) to specific devices shall be published,
17 maintained as a public record, and made available for public
18 inspection and copying. If the informal ruling, opinion or
19 letter contains trade secrets or other confidential
20 information, where possible the Department shall delete such
21 information prior to publication. Whenever such informal
22 rulings, opinions, or letters contain any policy of general
23 applicability, the Department shall formulate and adopt such
24 policy as a rule in accordance with the provisions of the
25 Illinois Administrative Procedure Act.

26 On and after July 1, 1987, no entity otherwise eligible

1 under exemption (c) of this Section shall make tax free
2 purchases unless it has an active exemption identification
3 number issued by the Department.

4 "Serviceman" means any person who is engaged in the
5 occupation of making sales of service.

6 "Sale at Retail" means "sale at retail" as defined in the
7 Retailers' Occupation Tax Act.

8 "Supplier" means any person who makes sales of tangible
9 personal property to servicemen for the purpose of resale as an
10 incident to a sale of service.

11 (Source: P.A. 98-583, eff. 1-1-14.)

12 (35 ILCS 115/3-5)

13 Sec. 3-5. Exemptions. The following tangible personal
14 property is exempt from the tax imposed by this Act:

15 (1) Personal property sold by a corporation, society,
16 association, foundation, institution, or organization, other
17 than a limited liability company, that is organized and
18 operated as a not-for-profit service enterprise for the benefit
19 of persons 65 years of age or older if the personal property
20 was not purchased by the enterprise for the purpose of resale
21 by the enterprise.

22 (2) Personal property purchased by a not-for-profit
23 Illinois county fair association for use in conducting,
24 operating, or promoting the county fair.

25 (3) Personal property purchased by any not-for-profit arts

1 or cultural organization that establishes, by proof required by
2 the Department by rule, that it has received an exemption under
3 Section 501(c)(3) of the Internal Revenue Code and that is
4 organized and operated primarily for the presentation or
5 support of arts or cultural programming, activities, or
6 services. These organizations include, but are not limited to,
7 music and dramatic arts organizations such as symphony
8 orchestras and theatrical groups, arts and cultural service
9 organizations, local arts councils, visual arts organizations,
10 and media arts organizations. On and after the effective date
11 of this amendatory Act of the 92nd General Assembly, however,
12 an entity otherwise eligible for this exemption shall not make
13 tax-free purchases unless it has an active identification
14 number issued by the Department.

15 (4) Legal tender, currency, medallions, or gold or silver
16 coinage issued by the State of Illinois, the government of the
17 United States of America, or the government of any foreign
18 country, and bullion.

19 (5) Until July 1, 2003 and beginning again on September 1,
20 2004 ~~through August 30, 2014~~, graphic arts machinery and
21 equipment, including repair and replacement parts, both new and
22 used, and including that manufactured on special order or
23 purchased for lease, certified by the purchaser to be used
24 primarily for graphic arts production. Equipment includes
25 chemicals or chemicals acting as catalysts but only if the
26 chemicals or chemicals acting as catalysts effect a direct and

1 immediate change upon a graphic arts product. The exemption
2 provided by this paragraph (5) also includes production related
3 tangible personal property, as defined in Section 3-30,
4 purchased on or after July 1, 2014. It is the intent of the
5 General Assembly that the exemption under this paragraph (5)
6 applies continuously for all periods on and after September 1,
7 2004. Any actions taken in reliance on the continuation of the
8 exemption under this paragraph are hereby validated. The
9 exemption under this paragraph (5) is exempt from the
10 provisions of Section 3-55.

11 (6) Personal property sold by a teacher-sponsored student
12 organization affiliated with an elementary or secondary school
13 located in Illinois.

14 (7) Farm machinery and equipment, both new and used,
15 including that manufactured on special order, certified by the
16 purchaser to be used primarily for production agriculture or
17 State or federal agricultural programs, including individual
18 replacement parts for the machinery and equipment, including
19 machinery and equipment purchased for lease, and including
20 implements of husbandry defined in Section 1-130 of the
21 Illinois Vehicle Code, farm machinery and agricultural
22 chemical and fertilizer spreaders, and nurse wagons required to
23 be registered under Section 3-809 of the Illinois Vehicle Code,
24 but excluding other motor vehicles required to be registered
25 under the Illinois Vehicle Code. Horticultural polyhouses or
26 hoop houses used for propagating, growing, or overwintering

1 plants shall be considered farm machinery and equipment under
2 this item (7). Agricultural chemical tender tanks and dry boxes
3 shall include units sold separately from a motor vehicle
4 required to be licensed and units sold mounted on a motor
5 vehicle required to be licensed if the selling price of the
6 tender is separately stated.

7 Farm machinery and equipment shall include precision
8 farming equipment that is installed or purchased to be
9 installed on farm machinery and equipment including, but not
10 limited to, tractors, harvesters, sprayers, planters, seeders,
11 or spreaders. Precision farming equipment includes, but is not
12 limited to, soil testing sensors, computers, monitors,
13 software, global positioning and mapping systems, and other
14 such equipment.

15 Farm machinery and equipment also includes computers,
16 sensors, software, and related equipment used primarily in the
17 computer-assisted operation of production agriculture
18 facilities, equipment, and activities such as, but not limited
19 to, the collection, monitoring, and correlation of animal and
20 crop data for the purpose of formulating animal diets and
21 agricultural chemicals. This item (7) is exempt from the
22 provisions of Section 3-55.

23 (8) Until June 30, 2013, fuel and petroleum products sold
24 to or used by an air common carrier, certified by the carrier
25 to be used for consumption, shipment, or storage in the conduct
26 of its business as an air common carrier, for a flight destined

1 for or returning from a location or locations outside the
2 United States without regard to previous or subsequent domestic
3 stopovers.

4 Beginning July 1, 2013, fuel and petroleum products sold to
5 or used by an air carrier, certified by the carrier to be used
6 for consumption, shipment, or storage in the conduct of its
7 business as an air common carrier, for a flight that (i) is
8 engaged in foreign trade or is engaged in trade between the
9 United States and any of its possessions and (ii) transports at
10 least one individual or package for hire from the city of
11 origination to the city of final destination on the same
12 aircraft, without regard to a change in the flight number of
13 that aircraft.

14 (9) Proceeds of mandatory service charges separately
15 stated on customers' bills for the purchase and consumption of
16 food and beverages, to the extent that the proceeds of the
17 service charge are in fact turned over as tips or as a
18 substitute for tips to the employees who participate directly
19 in preparing, serving, hosting or cleaning up the food or
20 beverage function with respect to which the service charge is
21 imposed.

22 (10) Until July 1, 2003, oil field exploration, drilling,
23 and production equipment, including (i) rigs and parts of rigs,
24 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
25 tubular goods, including casing and drill strings, (iii) pumps
26 and pump-jack units, (iv) storage tanks and flow lines, (v) any

1 individual replacement part for oil field exploration,
2 drilling, and production equipment, and (vi) machinery and
3 equipment purchased for lease; but excluding motor vehicles
4 required to be registered under the Illinois Vehicle Code.

5 (11) Photoprocessing machinery and equipment, including
6 repair and replacement parts, both new and used, including that
7 manufactured on special order, certified by the purchaser to be
8 used primarily for photoprocessing, and including
9 photoprocessing machinery and equipment purchased for lease.

10 (12) Coal and aggregate exploration, mining, off-highway
11 hauling, processing, maintenance, and reclamation equipment,
12 including replacement parts and equipment, and including
13 equipment purchased for lease, but excluding motor vehicles
14 required to be registered under the Illinois Vehicle Code. The
15 changes made to this Section by Public Act 97-767 apply on and
16 after July 1, 2003, but no claim for credit or refund is
17 allowed on or after August 16, 2013 (the effective date of
18 Public Act 98-456) for such taxes paid during the period
19 beginning July 1, 2003 and ending on August 16, 2013 (the
20 effective date of Public Act 98-456).

21 (13) Beginning January 1, 1992 and through June 30, 2016,
22 food for human consumption that is to be consumed off the
23 premises where it is sold (other than alcoholic beverages, soft
24 drinks and food that has been prepared for immediate
25 consumption) and prescription and non-prescription medicines,
26 drugs, medical appliances, and insulin, urine testing

1 materials, syringes, and needles used by diabetics, for human
2 use, when purchased for use by a person receiving medical
3 assistance under Article V of the Illinois Public Aid Code who
4 resides in a licensed long-term care facility, as defined in
5 the Nursing Home Care Act, or in a licensed facility as defined
6 in the ID/DD Community Care Act, the MC/DD Act, or the
7 Specialized Mental Health Rehabilitation Act of 2013.

8 (14) Semen used for artificial insemination of livestock
9 for direct agricultural production.

10 (15) Horses, or interests in horses, registered with and
11 meeting the requirements of any of the Arabian Horse Club
12 Registry of America, Appaloosa Horse Club, American Quarter
13 Horse Association, United States Trotting Association, or
14 Jockey Club, as appropriate, used for purposes of breeding or
15 racing for prizes. This item (15) is exempt from the provisions
16 of Section 3-55, and the exemption provided for under this item
17 (15) applies for all periods beginning May 30, 1995, but no
18 claim for credit or refund is allowed on or after January 1,
19 2008 (the effective date of Public Act 95-88) for such taxes
20 paid during the period beginning May 30, 2000 and ending on
21 January 1, 2008 (the effective date of Public Act 95-88).

22 (16) Computers and communications equipment utilized for
23 any hospital purpose and equipment used in the diagnosis,
24 analysis, or treatment of hospital patients sold to a lessor
25 who leases the equipment, under a lease of one year or longer
26 executed or in effect at the time of the purchase, to a

1 hospital that has been issued an active tax exemption
2 identification number by the Department under Section 1g of the
3 Retailers' Occupation Tax Act.

4 (17) Personal property sold to a lessor who leases the
5 property, under a lease of one year or longer executed or in
6 effect at the time of the purchase, to a governmental body that
7 has been issued an active tax exemption identification number
8 by the Department under Section 1g of the Retailers' Occupation
9 Tax Act.

10 (18) Beginning with taxable years ending on or after
11 December 31, 1995 and ending with taxable years ending on or
12 before December 31, 2004, personal property that is donated for
13 disaster relief to be used in a State or federally declared
14 disaster area in Illinois or bordering Illinois by a
15 manufacturer or retailer that is registered in this State to a
16 corporation, society, association, foundation, or institution
17 that has been issued a sales tax exemption identification
18 number by the Department that assists victims of the disaster
19 who reside within the declared disaster area.

20 (19) Beginning with taxable years ending on or after
21 December 31, 1995 and ending with taxable years ending on or
22 before December 31, 2004, personal property that is used in the
23 performance of infrastructure repairs in this State, including
24 but not limited to municipal roads and streets, access roads,
25 bridges, sidewalks, waste disposal systems, water and sewer
26 line extensions, water distribution and purification

1 facilities, storm water drainage and retention facilities, and
2 sewage treatment facilities, resulting from a State or
3 federally declared disaster in Illinois or bordering Illinois
4 when such repairs are initiated on facilities located in the
5 declared disaster area within 6 months after the disaster.

6 (20) Beginning July 1, 1999, game or game birds sold at a
7 "game breeding and hunting preserve area" as that term is used
8 in the Wildlife Code. This paragraph is exempt from the
9 provisions of Section 3-55.

10 (21) A motor vehicle, as that term is defined in Section
11 1-146 of the Illinois Vehicle Code, that is donated to a
12 corporation, limited liability company, society, association,
13 foundation, or institution that is determined by the Department
14 to be organized and operated exclusively for educational
15 purposes. For purposes of this exemption, "a corporation,
16 limited liability company, society, association, foundation,
17 or institution organized and operated exclusively for
18 educational purposes" means all tax-supported public schools,
19 private schools that offer systematic instruction in useful
20 branches of learning by methods common to public schools and
21 that compare favorably in their scope and intensity with the
22 course of study presented in tax-supported schools, and
23 vocational or technical schools or institutes organized and
24 operated exclusively to provide a course of study of not less
25 than 6 weeks duration and designed to prepare individuals to
26 follow a trade or to pursue a manual, technical, mechanical,

1 industrial, business, or commercial occupation.

2 (22) Beginning January 1, 2000, personal property,
3 including food, purchased through fundraising events for the
4 benefit of a public or private elementary or secondary school,
5 a group of those schools, or one or more school districts if
6 the events are sponsored by an entity recognized by the school
7 district that consists primarily of volunteers and includes
8 parents and teachers of the school children. This paragraph
9 does not apply to fundraising events (i) for the benefit of
10 private home instruction or (ii) for which the fundraising
11 entity purchases the personal property sold at the events from
12 another individual or entity that sold the property for the
13 purpose of resale by the fundraising entity and that profits
14 from the sale to the fundraising entity. This paragraph is
15 exempt from the provisions of Section 3-55.

16 (23) Beginning January 1, 2000 and through December 31,
17 2001, new or used automatic vending machines that prepare and
18 serve hot food and beverages, including coffee, soup, and other
19 items, and replacement parts for these machines. Beginning
20 January 1, 2002 and through June 30, 2003, machines and parts
21 for machines used in commercial, coin-operated amusement and
22 vending business if a use or occupation tax is paid on the
23 gross receipts derived from the use of the commercial,
24 coin-operated amusement and vending machines. This paragraph
25 is exempt from the provisions of Section 3-55.

26 (24) Beginning on the effective date of this amendatory Act

1 of the 92nd General Assembly, computers and communications
2 equipment utilized for any hospital purpose and equipment used
3 in the diagnosis, analysis, or treatment of hospital patients
4 sold to a lessor who leases the equipment, under a lease of one
5 year or longer executed or in effect at the time of the
6 purchase, to a hospital that has been issued an active tax
7 exemption identification number by the Department under
8 Section 1g of the Retailers' Occupation Tax Act. This paragraph
9 is exempt from the provisions of Section 3-55.

10 (25) Beginning on the effective date of this amendatory Act
11 of the 92nd General Assembly, personal property sold to a
12 lessor who leases the property, under a lease of one year or
13 longer executed or in effect at the time of the purchase, to a
14 governmental body that has been issued an active tax exemption
15 identification number by the Department under Section 1g of the
16 Retailers' Occupation Tax Act. This paragraph is exempt from
17 the provisions of Section 3-55.

18 (26) Beginning on January 1, 2002 and through June 30,
19 2016, tangible personal property purchased from an Illinois
20 retailer by a taxpayer engaged in centralized purchasing
21 activities in Illinois who will, upon receipt of the property
22 in Illinois, temporarily store the property in Illinois (i) for
23 the purpose of subsequently transporting it outside this State
24 for use or consumption thereafter solely outside this State or
25 (ii) for the purpose of being processed, fabricated, or
26 manufactured into, attached to, or incorporated into other

1 tangible personal property to be transported outside this State
2 and thereafter used or consumed solely outside this State. The
3 Director of Revenue shall, pursuant to rules adopted in
4 accordance with the Illinois Administrative Procedure Act,
5 issue a permit to any taxpayer in good standing with the
6 Department who is eligible for the exemption under this
7 paragraph (26). The permit issued under this paragraph (26)
8 shall authorize the holder, to the extent and in the manner
9 specified in the rules adopted under this Act, to purchase
10 tangible personal property from a retailer exempt from the
11 taxes imposed by this Act. Taxpayers shall maintain all
12 necessary books and records to substantiate the use and
13 consumption of all such tangible personal property outside of
14 the State of Illinois.

15 (27) Beginning January 1, 2008, tangible personal property
16 used in the construction or maintenance of a community water
17 supply, as defined under Section 3.145 of the Environmental
18 Protection Act, that is operated by a not-for-profit
19 corporation that holds a valid water supply permit issued under
20 Title IV of the Environmental Protection Act. This paragraph is
21 exempt from the provisions of Section 3-55.

22 (28) Tangible personal property sold to a
23 public-facilities corporation, as described in Section
24 11-65-10 of the Illinois Municipal Code, for purposes of
25 constructing or furnishing a municipal convention hall, but
26 only if the legal title to the municipal convention hall is

1 transferred to the municipality without any further
2 consideration by or on behalf of the municipality at the time
3 of the completion of the municipal convention hall or upon the
4 retirement or redemption of any bonds or other debt instruments
5 issued by the public-facilities corporation in connection with
6 the development of the municipal convention hall. This
7 exemption includes existing public-facilities corporations as
8 provided in Section 11-65-25 of the Illinois Municipal Code.
9 This paragraph is exempt from the provisions of Section 3-55.

10 (29) Beginning January 1, 2010, materials, parts,
11 equipment, components, and furnishings incorporated into or
12 upon an aircraft as part of the modification, refurbishment,
13 completion, replacement, repair, or maintenance of the
14 aircraft. This exemption includes consumable supplies used in
15 the modification, refurbishment, completion, replacement,
16 repair, and maintenance of aircraft, but excludes any
17 materials, parts, equipment, components, and consumable
18 supplies used in the modification, replacement, repair, and
19 maintenance of aircraft engines or power plants, whether such
20 engines or power plants are installed or uninstalled upon any
21 such aircraft. "Consumable supplies" include, but are not
22 limited to, adhesive, tape, sandpaper, general purpose
23 lubricants, cleaning solution, latex gloves, and protective
24 films. This exemption applies only to the transfer of
25 qualifying tangible personal property incident to the
26 modification, refurbishment, completion, replacement, repair,

1 or maintenance of an aircraft by persons who (i) hold an Air
2 Agency Certificate and are empowered to operate an approved
3 repair station by the Federal Aviation Administration, (ii)
4 have a Class IV Rating, and (iii) conduct operations in
5 accordance with Part 145 of the Federal Aviation Regulations.
6 The exemption does not include aircraft operated by a
7 commercial air carrier providing scheduled passenger air
8 service pursuant to authority issued under Part 121 or Part 129
9 of the Federal Aviation Regulations. The changes made to this
10 paragraph (29) by Public Act 98-534 are declarative of existing
11 law.

12 (30) Beginning January 1, 2017, menstrual pads, tampons,
13 and menstrual cups.

14 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
15 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.
16 7-16-14; 99-180, eff. 7-29-15; 99-855, eff. 8-19-16.)

17 (35 ILCS 115/3-30) (from Ch. 120, par. 439.103-30)

18 Sec. 3-30. Graphic arts production. For purposes of this
19 Act, "graphic arts production" means the production of tangible
20 personal property for wholesale or retail sale or lease by
21 means of printing, including ink jet printing, by one or more
22 of the processes described in Groups 323110 through 323122 of
23 Subsector 323, Groups 511110 through 511199 of Subsector 511,
24 and Group 512230 of Subsector 512 of the North American
25 Industry Classification System published by the U.S. Office of

1 Management and Budget, 1997 edition. Graphic arts production
2 does not include (i) the transfer of images onto paper or other
3 tangible personal property by means of photocopying or (ii)
4 final printed products in electronic or audio form, including
5 the production of software or audio-books. For the purpose of
6 this Section, persons engaged primarily in the business of
7 printing or publishing newspapers or magazines that qualify as
8 newsprint and ink, by one or more of the processes described in
9 Groups 511110 through 511199 of subsector 511 of the North
10 American Industry Classification System published by the U.S.
11 Office of Management and Budget, 1997 edition, are deemed to be
12 engaged in graphic arts production.

13 For the purposes of the exemption provided in paragraph (5)
14 of Section 3-5 of this Act, "production related tangible
15 personal property" means all tangible personal property that is
16 used or consumed by the purchaser in a graphic arts facility in
17 which graphic arts production takes place and includes, without
18 limitation, tangible personal property that is purchased for
19 incorporation into real estate within a graphic arts production
20 facility, supplies and consumables used in a graphic arts
21 production facility including fuels, coolants, solvents, oils,
22 lubricants, and adhesives, hand tools, protective apparel, and
23 fire and safety equipment used or consumed within a
24 manufacturing facility, and tangible personal property that is
25 used or consumed in activities such as research and
26 development, preproduction material handling, receiving,

1 quality control, inventory control, storage, staging, and
2 packaging for shipping and transportation purposes.
3 "Production related tangible personal property" does not
4 include (i) tangible personal property that is used, within or
5 without a graphic arts production facility, in sales,
6 purchasing, accounting, fiscal management, marketing,
7 personnel recruitment or selection, or landscaping or (ii)
8 tangible personal property that is required to be titled or
9 registered with a department, agency, or unit of federal,
10 State, or local government.

11 (Source: P.A. 96-116, eff. 7-31-09.)

12 Section 20. The Retailers' Occupation Tax Act is amended by
13 changing Sections 2-5, 2-30, and 2-45 as follows:

14 (35 ILCS 120/2-5)

15 Sec. 2-5. Exemptions. Gross receipts from proceeds from the
16 sale of the following tangible personal property are exempt
17 from the tax imposed by this Act:

18 (1) Farm chemicals.

19 (2) Farm machinery and equipment, both new and used,
20 including that manufactured on special order, certified by the
21 purchaser to be used primarily for production agriculture or
22 State or federal agricultural programs, including individual
23 replacement parts for the machinery and equipment, including
24 machinery and equipment purchased for lease, and including

1 implements of husbandry defined in Section 1-130 of the
2 Illinois Vehicle Code, farm machinery and agricultural
3 chemical and fertilizer spreaders, and nurse wagons required to
4 be registered under Section 3-809 of the Illinois Vehicle Code,
5 but excluding other motor vehicles required to be registered
6 under the Illinois Vehicle Code. Horticultural polyhouses or
7 hoop houses used for propagating, growing, or overwintering
8 plants shall be considered farm machinery and equipment under
9 this item (2). Agricultural chemical tender tanks and dry boxes
10 shall include units sold separately from a motor vehicle
11 required to be licensed and units sold mounted on a motor
12 vehicle required to be licensed, if the selling price of the
13 tender is separately stated.

14 Farm machinery and equipment shall include precision
15 farming equipment that is installed or purchased to be
16 installed on farm machinery and equipment including, but not
17 limited to, tractors, harvesters, sprayers, planters, seeders,
18 or spreaders. Precision farming equipment includes, but is not
19 limited to, soil testing sensors, computers, monitors,
20 software, global positioning and mapping systems, and other
21 such equipment.

22 Farm machinery and equipment also includes computers,
23 sensors, software, and related equipment used primarily in the
24 computer-assisted operation of production agriculture
25 facilities, equipment, and activities such as, but not limited
26 to, the collection, monitoring, and correlation of animal and

1 crop data for the purpose of formulating animal diets and
2 agricultural chemicals. This item (2) is exempt from the
3 provisions of Section 2-70.

4 (3) Until July 1, 2003, distillation machinery and
5 equipment, sold as a unit or kit, assembled or installed by the
6 retailer, certified by the user to be used only for the
7 production of ethyl alcohol that will be used for consumption
8 as motor fuel or as a component of motor fuel for the personal
9 use of the user, and not subject to sale or resale.

10 (4) Until July 1, 2003 and beginning again September 1,
11 2004 ~~through August 30, 2014~~, graphic arts machinery and
12 equipment, including repair and replacement parts, both new and
13 used, and including that manufactured on special order or
14 purchased for lease, certified by the purchaser to be used
15 primarily for graphic arts production. Equipment includes
16 chemicals or chemicals acting as catalysts but only if the
17 chemicals or chemicals acting as catalysts effect a direct and
18 immediate change upon a graphic arts product. The exemption
19 provided by this paragraph (4) also includes production related
20 tangible personal property, as defined in Section 2-30,
21 purchased on or after July 1, 2014. It is the intent of the
22 General Assembly that the exemption under this paragraph (4)
23 applies continuously for all periods on and after September 1,
24 2004. Any actions taken in reliance on the continuation of the
25 exemption under this paragraph are hereby validated. The
26 exemption under this paragraph (4) is exempt from the

1 provisions of Section 2-70.

2 (5) A motor vehicle that is used for automobile renting, as
3 defined in the Automobile Renting Occupation and Use Tax Act.
4 This paragraph is exempt from the provisions of Section 2-70.

5 (6) Personal property sold by a teacher-sponsored student
6 organization affiliated with an elementary or secondary school
7 located in Illinois.

8 (7) Until July 1, 2003, proceeds of that portion of the
9 selling price of a passenger car the sale of which is subject
10 to the Replacement Vehicle Tax.

11 (8) Personal property sold to an Illinois county fair
12 association for use in conducting, operating, or promoting the
13 county fair.

14 (9) Personal property sold to a not-for-profit arts or
15 cultural organization that establishes, by proof required by
16 the Department by rule, that it has received an exemption under
17 Section 501(c)(3) of the Internal Revenue Code and that is
18 organized and operated primarily for the presentation or
19 support of arts or cultural programming, activities, or
20 services. These organizations include, but are not limited to,
21 music and dramatic arts organizations such as symphony
22 orchestras and theatrical groups, arts and cultural service
23 organizations, local arts councils, visual arts organizations,
24 and media arts organizations. On and after the effective date
25 of this amendatory Act of the 92nd General Assembly, however,
26 an entity otherwise eligible for this exemption shall not make

1 tax-free purchases unless it has an active identification
2 number issued by the Department.

3 (10) Personal property sold by a corporation, society,
4 association, foundation, institution, or organization, other
5 than a limited liability company, that is organized and
6 operated as a not-for-profit service enterprise for the benefit
7 of persons 65 years of age or older if the personal property
8 was not purchased by the enterprise for the purpose of resale
9 by the enterprise.

10 (11) Personal property sold to a governmental body, to a
11 corporation, society, association, foundation, or institution
12 organized and operated exclusively for charitable, religious,
13 or educational purposes, or to a not-for-profit corporation,
14 society, association, foundation, institution, or organization
15 that has no compensated officers or employees and that is
16 organized and operated primarily for the recreation of persons
17 55 years of age or older. A limited liability company may
18 qualify for the exemption under this paragraph only if the
19 limited liability company is organized and operated
20 exclusively for educational purposes. On and after July 1,
21 1987, however, no entity otherwise eligible for this exemption
22 shall make tax-free purchases unless it has an active
23 identification number issued by the Department.

24 (12) Tangible personal property sold to interstate
25 carriers for hire for use as rolling stock moving in interstate
26 commerce or to lessors under leases of one year or longer

1 executed or in effect at the time of purchase by interstate
2 carriers for hire for use as rolling stock moving in interstate
3 commerce and equipment operated by a telecommunications
4 provider, licensed as a common carrier by the Federal
5 Communications Commission, which is permanently installed in
6 or affixed to aircraft moving in interstate commerce.

7 (12-5) On and after July 1, 2003 and through June 30, 2004,
8 motor vehicles of the second division with a gross vehicle
9 weight in excess of 8,000 pounds that are subject to the
10 commercial distribution fee imposed under Section 3-815.1 of
11 the Illinois Vehicle Code. Beginning on July 1, 2004 and
12 through June 30, 2005, the use in this State of motor vehicles
13 of the second division: (i) with a gross vehicle weight rating
14 in excess of 8,000 pounds; (ii) that are subject to the
15 commercial distribution fee imposed under Section 3-815.1 of
16 the Illinois Vehicle Code; and (iii) that are primarily used
17 for commercial purposes. Through June 30, 2005, this exemption
18 applies to repair and replacement parts added after the initial
19 purchase of such a motor vehicle if that motor vehicle is used
20 in a manner that would qualify for the rolling stock exemption
21 otherwise provided for in this Act. For purposes of this
22 paragraph, "used for commercial purposes" means the
23 transportation of persons or property in furtherance of any
24 commercial or industrial enterprise whether for-hire or not.

25 (13) Proceeds from sales to owners, lessors, or shippers of
26 tangible personal property that is utilized by interstate

1 carriers for hire for use as rolling stock moving in interstate
2 commerce and equipment operated by a telecommunications
3 provider, licensed as a common carrier by the Federal
4 Communications Commission, which is permanently installed in
5 or affixed to aircraft moving in interstate commerce.

6 (14) Machinery and equipment that will be used by the
7 purchaser, or a lessee of the purchaser, primarily in the
8 process of manufacturing or assembling tangible personal
9 property for wholesale or retail sale or lease, whether the
10 sale or lease is made directly by the manufacturer or by some
11 other person, whether the materials used in the process are
12 owned by the manufacturer or some other person, or whether the
13 sale or lease is made apart from or as an incident to the
14 seller's engaging in the service occupation of producing
15 machines, tools, dies, jigs, patterns, gauges, or other similar
16 items of no commercial value on special order for a particular
17 purchaser. The exemption provided by this paragraph (14) also
18 includes production related tangible personal property, as
19 defined in Section 2-45, purchased on or after July 1, 2014.

20 The exemption provided by this paragraph (14) does not include
21 machinery and equipment used in (i) the generation of
22 electricity for wholesale or retail sale; (ii) the generation
23 or treatment of natural or artificial gas for wholesale or
24 retail sale that is delivered to customers through pipes,
25 pipelines, or mains; or (iii) the treatment of water for
26 wholesale or retail sale that is delivered to customers through

1 pipes, pipelines, or mains. The provisions of Public Act 98-583
2 are declaratory of existing law as to the meaning and scope of
3 this exemption. The exemption provided by this paragraph (14)
4 is exempt from the provisions of Section 2-70.

5 (15) Proceeds of mandatory service charges separately
6 stated on customers' bills for purchase and consumption of food
7 and beverages, to the extent that the proceeds of the service
8 charge are in fact turned over as tips or as a substitute for
9 tips to the employees who participate directly in preparing,
10 serving, hosting or cleaning up the food or beverage function
11 with respect to which the service charge is imposed.

12 (16) Petroleum products sold to a purchaser if the seller
13 is prohibited by federal law from charging tax to the
14 purchaser.

15 (17) Tangible personal property sold to a common carrier by
16 rail or motor that receives the physical possession of the
17 property in Illinois and that transports the property, or
18 shares with another common carrier in the transportation of the
19 property, out of Illinois on a standard uniform bill of lading
20 showing the seller of the property as the shipper or consignor
21 of the property to a destination outside Illinois, for use
22 outside Illinois.

23 (18) Legal tender, currency, medallions, or gold or silver
24 coinage issued by the State of Illinois, the government of the
25 United States of America, or the government of any foreign
26 country, and bullion.

1 (19) Until July 1 2003, oil field exploration, drilling,
2 and production equipment, including (i) rigs and parts of rigs,
3 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
4 tubular goods, including casing and drill strings, (iii) pumps
5 and pump-jack units, (iv) storage tanks and flow lines, (v) any
6 individual replacement part for oil field exploration,
7 drilling, and production equipment, and (vi) machinery and
8 equipment purchased for lease; but excluding motor vehicles
9 required to be registered under the Illinois Vehicle Code.

10 (20) Photoprocessing machinery and equipment, including
11 repair and replacement parts, both new and used, including that
12 manufactured on special order, certified by the purchaser to be
13 used primarily for photoprocessing, and including
14 photoprocessing machinery and equipment purchased for lease.

15 (21) Coal and aggregate exploration, mining, off-highway
16 hauling, processing, maintenance, and reclamation equipment,
17 including replacement parts and equipment, and including
18 equipment purchased for lease, but excluding motor vehicles
19 required to be registered under the Illinois Vehicle Code. The
20 changes made to this Section by Public Act 97-767 apply on and
21 after July 1, 2003, but no claim for credit or refund is
22 allowed on or after August 16, 2013 (the effective date of
23 Public Act 98-456) for such taxes paid during the period
24 beginning July 1, 2003 and ending on August 16, 2013 (the
25 effective date of Public Act 98-456).

26 (22) Until June 30, 2013, fuel and petroleum products sold

1 to or used by an air carrier, certified by the carrier to be
2 used for consumption, shipment, or storage in the conduct of
3 its business as an air common carrier, for a flight destined
4 for or returning from a location or locations outside the
5 United States without regard to previous or subsequent domestic
6 stopovers.

7 Beginning July 1, 2013, fuel and petroleum products sold to
8 or used by an air carrier, certified by the carrier to be used
9 for consumption, shipment, or storage in the conduct of its
10 business as an air common carrier, for a flight that (i) is
11 engaged in foreign trade or is engaged in trade between the
12 United States and any of its possessions and (ii) transports at
13 least one individual or package for hire from the city of
14 origination to the city of final destination on the same
15 aircraft, without regard to a change in the flight number of
16 that aircraft.

17 (23) A transaction in which the purchase order is received
18 by a florist who is located outside Illinois, but who has a
19 florist located in Illinois deliver the property to the
20 purchaser or the purchaser's donee in Illinois.

21 (24) Fuel consumed or used in the operation of ships,
22 barges, or vessels that are used primarily in or for the
23 transportation of property or the conveyance of persons for
24 hire on rivers bordering on this State if the fuel is delivered
25 by the seller to the purchaser's barge, ship, or vessel while
26 it is afloat upon that bordering river.

1 (25) Except as provided in item (25-5) of this Section, a
2 motor vehicle sold in this State to a nonresident even though
3 the motor vehicle is delivered to the nonresident in this
4 State, if the motor vehicle is not to be titled in this State,
5 and if a drive-away permit is issued to the motor vehicle as
6 provided in Section 3-603 of the Illinois Vehicle Code or if
7 the nonresident purchaser has vehicle registration plates to
8 transfer to the motor vehicle upon returning to his or her home
9 state. The issuance of the drive-away permit or having the
10 out-of-state registration plates to be transferred is prima
11 facie evidence that the motor vehicle will not be titled in
12 this State.

13 (25-5) The exemption under item (25) does not apply if the
14 state in which the motor vehicle will be titled does not allow
15 a reciprocal exemption for a motor vehicle sold and delivered
16 in that state to an Illinois resident but titled in Illinois.
17 The tax collected under this Act on the sale of a motor vehicle
18 in this State to a resident of another state that does not
19 allow a reciprocal exemption shall be imposed at a rate equal
20 to the state's rate of tax on taxable property in the state in
21 which the purchaser is a resident, except that the tax shall
22 not exceed the tax that would otherwise be imposed under this
23 Act. At the time of the sale, the purchaser shall execute a
24 statement, signed under penalty of perjury, of his or her
25 intent to title the vehicle in the state in which the purchaser
26 is a resident within 30 days after the sale and of the fact of

1 the payment to the State of Illinois of tax in an amount
2 equivalent to the state's rate of tax on taxable property in
3 his or her state of residence and shall submit the statement to
4 the appropriate tax collection agency in his or her state of
5 residence. In addition, the retailer must retain a signed copy
6 of the statement in his or her records. Nothing in this item
7 shall be construed to require the removal of the vehicle from
8 this state following the filing of an intent to title the
9 vehicle in the purchaser's state of residence if the purchaser
10 titles the vehicle in his or her state of residence within 30
11 days after the date of sale. The tax collected under this Act
12 in accordance with this item (25-5) shall be proportionately
13 distributed as if the tax were collected at the 6.25% general
14 rate imposed under this Act.

15 (25-7) Beginning on July 1, 2007, no tax is imposed under
16 this Act on the sale of an aircraft, as defined in Section 3 of
17 the Illinois Aeronautics Act, if all of the following
18 conditions are met:

19 (1) the aircraft leaves this State within 15 days after
20 the later of either the issuance of the final billing for
21 the sale of the aircraft, or the authorized approval for
22 return to service, completion of the maintenance record
23 entry, and completion of the test flight and ground test
24 for inspection, as required by 14 C.F.R. 91.407;

25 (2) the aircraft is not based or registered in this
26 State after the sale of the aircraft; and

1 (3) the seller retains in his or her books and records
2 and provides to the Department a signed and dated
3 certification from the purchaser, on a form prescribed by
4 the Department, certifying that the requirements of this
5 item (25-7) are met. The certificate must also include the
6 name and address of the purchaser, the address of the
7 location where the aircraft is to be titled or registered,
8 the address of the primary physical location of the
9 aircraft, and other information that the Department may
10 reasonably require.

11 For purposes of this item (25-7):

12 "Based in this State" means hangared, stored, or otherwise
13 used, excluding post-sale customizations as defined in this
14 Section, for 10 or more days in each 12-month period
15 immediately following the date of the sale of the aircraft.

16 "Registered in this State" means an aircraft registered
17 with the Department of Transportation, Aeronautics Division,
18 or titled or registered with the Federal Aviation
19 Administration to an address located in this State.

20 This paragraph (25-7) is exempt from the provisions of
21 Section 2-70.

22 (26) Semen used for artificial insemination of livestock
23 for direct agricultural production.

24 (27) Horses, or interests in horses, registered with and
25 meeting the requirements of any of the Arabian Horse Club
26 Registry of America, Appaloosa Horse Club, American Quarter

1 Horse Association, United States Trotting Association, or
2 Jockey Club, as appropriate, used for purposes of breeding or
3 racing for prizes. This item (27) is exempt from the provisions
4 of Section 2-70, and the exemption provided for under this item
5 (27) applies for all periods beginning May 30, 1995, but no
6 claim for credit or refund is allowed on or after January 1,
7 2008 (the effective date of Public Act 95-88) for such taxes
8 paid during the period beginning May 30, 2000 and ending on
9 January 1, 2008 (the effective date of Public Act 95-88).

10 (28) Computers and communications equipment utilized for
11 any hospital purpose and equipment used in the diagnosis,
12 analysis, or treatment of hospital patients sold to a lessor
13 who leases the equipment, under a lease of one year or longer
14 executed or in effect at the time of the purchase, to a
15 hospital that has been issued an active tax exemption
16 identification number by the Department under Section 1g of
17 this Act.

18 (29) Personal property sold to a lessor who leases the
19 property, under a lease of one year or longer executed or in
20 effect at the time of the purchase, to a governmental body that
21 has been issued an active tax exemption identification number
22 by the Department under Section 1g of this Act.

23 (30) Beginning with taxable years ending on or after
24 December 31, 1995 and ending with taxable years ending on or
25 before December 31, 2004, personal property that is donated for
26 disaster relief to be used in a State or federally declared

1 disaster area in Illinois or bordering Illinois by a
2 manufacturer or retailer that is registered in this State to a
3 corporation, society, association, foundation, or institution
4 that has been issued a sales tax exemption identification
5 number by the Department that assists victims of the disaster
6 who reside within the declared disaster area.

7 (31) Beginning with taxable years ending on or after
8 December 31, 1995 and ending with taxable years ending on or
9 before December 31, 2004, personal property that is used in the
10 performance of infrastructure repairs in this State, including
11 but not limited to municipal roads and streets, access roads,
12 bridges, sidewalks, waste disposal systems, water and sewer
13 line extensions, water distribution and purification
14 facilities, storm water drainage and retention facilities, and
15 sewage treatment facilities, resulting from a State or
16 federally declared disaster in Illinois or bordering Illinois
17 when such repairs are initiated on facilities located in the
18 declared disaster area within 6 months after the disaster.

19 (32) Beginning July 1, 1999, game or game birds sold at a
20 "game breeding and hunting preserve area" as that term is used
21 in the Wildlife Code. This paragraph is exempt from the
22 provisions of Section 2-70.

23 (33) A motor vehicle, as that term is defined in Section
24 1-146 of the Illinois Vehicle Code, that is donated to a
25 corporation, limited liability company, society, association,
26 foundation, or institution that is determined by the Department

1 to be organized and operated exclusively for educational
2 purposes. For purposes of this exemption, "a corporation,
3 limited liability company, society, association, foundation,
4 or institution organized and operated exclusively for
5 educational purposes" means all tax-supported public schools,
6 private schools that offer systematic instruction in useful
7 branches of learning by methods common to public schools and
8 that compare favorably in their scope and intensity with the
9 course of study presented in tax-supported schools, and
10 vocational or technical schools or institutes organized and
11 operated exclusively to provide a course of study of not less
12 than 6 weeks duration and designed to prepare individuals to
13 follow a trade or to pursue a manual, technical, mechanical,
14 industrial, business, or commercial occupation.

15 (34) Beginning January 1, 2000, personal property,
16 including food, purchased through fundraising events for the
17 benefit of a public or private elementary or secondary school,
18 a group of those schools, or one or more school districts if
19 the events are sponsored by an entity recognized by the school
20 district that consists primarily of volunteers and includes
21 parents and teachers of the school children. This paragraph
22 does not apply to fundraising events (i) for the benefit of
23 private home instruction or (ii) for which the fundraising
24 entity purchases the personal property sold at the events from
25 another individual or entity that sold the property for the
26 purpose of resale by the fundraising entity and that profits

1 from the sale to the fundraising entity. This paragraph is
2 exempt from the provisions of Section 2-70.

3 (35) Beginning January 1, 2000 and through December 31,
4 2001, new or used automatic vending machines that prepare and
5 serve hot food and beverages, including coffee, soup, and other
6 items, and replacement parts for these machines. Beginning
7 January 1, 2002 and through June 30, 2003, machines and parts
8 for machines used in commercial, coin-operated amusement and
9 vending business if a use or occupation tax is paid on the
10 gross receipts derived from the use of the commercial,
11 coin-operated amusement and vending machines. This paragraph
12 is exempt from the provisions of Section 2-70.

13 (35-5) Beginning August 23, 2001 and through June 30, 2016,
14 food for human consumption that is to be consumed off the
15 premises where it is sold (other than alcoholic beverages, soft
16 drinks, and food that has been prepared for immediate
17 consumption) and prescription and nonprescription medicines,
18 drugs, medical appliances, and insulin, urine testing
19 materials, syringes, and needles used by diabetics, for human
20 use, when purchased for use by a person receiving medical
21 assistance under Article V of the Illinois Public Aid Code who
22 resides in a licensed long-term care facility, as defined in
23 the Nursing Home Care Act, or a licensed facility as defined in
24 the ID/DD Community Care Act, the MC/DD Act, or the Specialized
25 Mental Health Rehabilitation Act of 2013.

26 (36) Beginning August 2, 2001, computers and

1 communications equipment utilized for any hospital purpose and
2 equipment used in the diagnosis, analysis, or treatment of
3 hospital patients sold to a lessor who leases the equipment,
4 under a lease of one year or longer executed or in effect at
5 the time of the purchase, to a hospital that has been issued an
6 active tax exemption identification number by the Department
7 under Section 1g of this Act. This paragraph is exempt from the
8 provisions of Section 2-70.

9 (37) Beginning August 2, 2001, personal property sold to a
10 lessor who leases the property, under a lease of one year or
11 longer executed or in effect at the time of the purchase, to a
12 governmental body that has been issued an active tax exemption
13 identification number by the Department under Section 1g of
14 this Act. This paragraph is exempt from the provisions of
15 Section 2-70.

16 (38) Beginning on January 1, 2002 and through June 30,
17 2016, tangible personal property purchased from an Illinois
18 retailer by a taxpayer engaged in centralized purchasing
19 activities in Illinois who will, upon receipt of the property
20 in Illinois, temporarily store the property in Illinois (i) for
21 the purpose of subsequently transporting it outside this State
22 for use or consumption thereafter solely outside this State or
23 (ii) for the purpose of being processed, fabricated, or
24 manufactured into, attached to, or incorporated into other
25 tangible personal property to be transported outside this State
26 and thereafter used or consumed solely outside this State. The

1 Director of Revenue shall, pursuant to rules adopted in
2 accordance with the Illinois Administrative Procedure Act,
3 issue a permit to any taxpayer in good standing with the
4 Department who is eligible for the exemption under this
5 paragraph (38). The permit issued under this paragraph (38)
6 shall authorize the holder, to the extent and in the manner
7 specified in the rules adopted under this Act, to purchase
8 tangible personal property from a retailer exempt from the
9 taxes imposed by this Act. Taxpayers shall maintain all
10 necessary books and records to substantiate the use and
11 consumption of all such tangible personal property outside of
12 the State of Illinois.

13 (39) Beginning January 1, 2008, tangible personal property
14 used in the construction or maintenance of a community water
15 supply, as defined under Section 3.145 of the Environmental
16 Protection Act, that is operated by a not-for-profit
17 corporation that holds a valid water supply permit issued under
18 Title IV of the Environmental Protection Act. This paragraph is
19 exempt from the provisions of Section 2-70.

20 (40) Beginning January 1, 2010, materials, parts,
21 equipment, components, and furnishings incorporated into or
22 upon an aircraft as part of the modification, refurbishment,
23 completion, replacement, repair, or maintenance of the
24 aircraft. This exemption includes consumable supplies used in
25 the modification, refurbishment, completion, replacement,
26 repair, and maintenance of aircraft, but excludes any

1 materials, parts, equipment, components, and consumable
2 supplies used in the modification, replacement, repair, and
3 maintenance of aircraft engines or power plants, whether such
4 engines or power plants are installed or uninstalled upon any
5 such aircraft. "Consumable supplies" include, but are not
6 limited to, adhesive, tape, sandpaper, general purpose
7 lubricants, cleaning solution, latex gloves, and protective
8 films. This exemption applies only to the sale of qualifying
9 tangible personal property to persons who modify, refurbish,
10 complete, replace, or maintain an aircraft and who (i) hold an
11 Air Agency Certificate and are empowered to operate an approved
12 repair station by the Federal Aviation Administration, (ii)
13 have a Class IV Rating, and (iii) conduct operations in
14 accordance with Part 145 of the Federal Aviation Regulations.
15 The exemption does not include aircraft operated by a
16 commercial air carrier providing scheduled passenger air
17 service pursuant to authority issued under Part 121 or Part 129
18 of the Federal Aviation Regulations. The changes made to this
19 paragraph (40) by Public Act 98-534 are declarative of existing
20 law.

21 (41) Tangible personal property sold to a
22 public-facilities corporation, as described in Section
23 11-65-10 of the Illinois Municipal Code, for purposes of
24 constructing or furnishing a municipal convention hall, but
25 only if the legal title to the municipal convention hall is
26 transferred to the municipality without any further

1 consideration by or on behalf of the municipality at the time
2 of the completion of the municipal convention hall or upon the
3 retirement or redemption of any bonds or other debt instruments
4 issued by the public-facilities corporation in connection with
5 the development of the municipal convention hall. This
6 exemption includes existing public-facilities corporations as
7 provided in Section 11-65-25 of the Illinois Municipal Code.
8 This paragraph is exempt from the provisions of Section 2-70.

9 (42) Beginning January 1, 2017, menstrual pads, tampons,
10 and menstrual cups.

11 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
12 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.
13 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.
14 7-29-15; 99-855, eff. 8-19-16.)

15 (35 ILCS 120/2-30) (from Ch. 120, par. 441-30)

16 Sec. 2-30. Graphic arts production. For purposes of this
17 Act, "graphic arts production" means the production of tangible
18 personal property for wholesale or retail sale or lease by
19 means of printing, including ink jet printing, by one or more
20 of the processes described in Groups 323110 through 323122 of
21 Subsector 323, Groups 511110 through 511199 of Subsector 511,
22 and Group 512230 of Subsector 512 of the North American
23 Industry Classification System published by the U.S. Office of
24 Management and Budget, 1997 edition. Graphic arts production
25 does not include (i) the transfer of images onto paper or other

1 tangible personal property by means of photocopying or (ii)
2 final printed products in electronic or audio form, including
3 the production of software or audio-books. For purposes of this
4 Section, persons engaged primarily in the business of printing
5 or publishing newspapers or magazines that qualify as newsprint
6 and ink, by one or more of the processes described in Groups
7 511110 through 511199 of subsector 511 of the North American
8 Industry Classification System published by the U.S. Office of
9 Management and Budget, 1997 edition, are deemed to be engaged
10 in graphic arts production.

11 For the purposes of the exemption provided in paragraph (4)
12 of Section 2-5 of this Act, "production related tangible
13 personal property" means all tangible personal property that is
14 used or consumed by the purchaser in a graphic arts facility in
15 which graphic arts production takes place and includes, without
16 limitation, tangible personal property that is purchased for
17 incorporation into real estate within a graphic arts production
18 facility, supplies and consumables used in a graphic arts
19 production facility including fuels, coolants, solvents, oils,
20 lubricants, and adhesives, hand tools, protective apparel, and
21 fire and safety equipment used or consumed within a
22 manufacturing facility, and tangible personal property that is
23 used or consumed in activities such as research and
24 development, preproduction material handling, receiving,
25 quality control, inventory control, storage, staging, and
26 packaging for shipping and transportation purposes.

1 "Production related tangible personal property" does not
2 include (i) tangible personal property that is used, within or
3 without a graphic arts production facility, in sales,
4 purchasing, accounting, fiscal management, marketing,
5 personnel recruitment or selection, or landscaping or (ii)
6 tangible personal property that is required to be titled or
7 registered with a department, agency, or unit of federal,
8 State, or local government.

9 (Source: P.A. 96-116, eff. 7-31-09.)

10 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

11 Sec. 2-45. Manufacturing and assembly exemption. The
12 manufacturing and assembly machinery and equipment exemption
13 includes machinery and equipment that replaces machinery and
14 equipment in an existing manufacturing facility as well as
15 machinery and equipment that are for use in an expanded or new
16 manufacturing facility.

17 The machinery and equipment exemption also includes
18 machinery and equipment used in the general maintenance or
19 repair of exempt machinery and equipment or for in-house
20 manufacture of exempt machinery and equipment. The machinery
21 and equipment exemption does not include machinery and
22 equipment used in (i) the generation of electricity for
23 wholesale or retail sale; (ii) the generation or treatment of
24 natural or artificial gas for wholesale or retail sale that is
25 delivered to customers through pipes, pipelines, or mains; or

1 (iii) the treatment of water for wholesale or retail sale that
2 is delivered to customers through pipes, pipelines, or mains.
3 The provisions of this amendatory Act of the 98th General
4 Assembly are declaratory of existing law as to the meaning and
5 scope of this exemption. For the purposes of this exemption,
6 terms have the following meanings:

7 (1) "Manufacturing process" means the production of an
8 article of tangible personal property, whether the article
9 is a finished product or an article for use in the process
10 of manufacturing or assembling a different article of
11 tangible personal property, by a procedure commonly
12 regarded as manufacturing, processing, fabricating, or
13 refining that changes some existing material or materials
14 into a material with a different form, use, or name. In
15 relation to a recognized integrated business composed of a
16 series of operations that collectively constitute
17 manufacturing, or individually constitute manufacturing
18 operations, the manufacturing process commences with the
19 first operation or stage of production in the series and
20 does not end until the completion of the final product in
21 the last operation or stage of production in the series.
22 For purposes of this exemption, photoprocessing is a
23 manufacturing process of tangible personal property for
24 wholesale or retail sale.

25 (2) "Assembling process" means the production of an
26 article of tangible personal property, whether the article

1 is a finished product or an article for use in the process
2 of manufacturing or assembling a different article of
3 tangible personal property, by the combination of existing
4 materials in a manner commonly regarded as assembling that
5 results in a material of a different form, use, or name.

6 (3) "Machinery" means major mechanical machines or
7 major components of those machines contributing to a
8 manufacturing or assembling process.

9 (4) "Equipment" includes an independent device or tool
10 separate from machinery but essential to an integrated
11 manufacturing or assembly process; including computers
12 used primarily in a manufacturer's computer assisted
13 design, computer assisted manufacturing (CAD/CAM) system;
14 any subunit or assembly comprising a component of any
15 machinery or auxiliary, adjunct, or attachment parts of
16 machinery, such as tools, dies, jigs, fixtures, patterns,
17 and molds; and any parts that require periodic replacement
18 in the course of normal operation; but does not include
19 hand tools. Equipment includes chemicals or chemicals
20 acting as catalysts but only if the chemicals or chemicals
21 acting as catalysts effect a direct and immediate change
22 upon a product being manufactured or assembled for
23 wholesale or retail sale or lease.

24 (5) "Production related tangible personal property"
25 means all tangible personal property that is used or
26 consumed by the purchaser in a manufacturing facility in

1 which a manufacturing process takes place and includes,
2 without limitation, tangible personal property that is
3 purchased for incorporation into real estate within a
4 manufacturing facility, supplies and consumables used in a
5 manufacturing facility including fuels, coolants,
6 solvents, oils, lubricants, and adhesives, hand tools,
7 protective apparel, and fire and safety equipment used or
8 consumed within a manufacturing facility, and tangible
9 personal property that is used or consumed in activities
10 such as research and development, preproduction material
11 handling, receiving, quality control, inventory control,
12 storage, staging, and packaging for shipping and
13 transportation purposes. "Production related tangible
14 personal property" does not include (i) tangible personal
15 property that is used, within or without a manufacturing
16 facility, in sales, purchasing, accounting, fiscal
17 management, marketing, personnel recruitment or selection,
18 or landscaping or (ii) tangible personal property that is
19 required to be titled or registered with a department,
20 agency, or unit of federal, State, or local government.

21 The manufacturing and assembling machinery and equipment
22 exemption includes production related tangible personal
23 property that is purchased on or after July 1, 2007 and on or
24 before June 30, 2008 and on and after July 1, 2014. The
25 exemption for production related tangible personal property
26 purchased on or after July 1, 2007 and on or before June 30,

1 2008 is subject to both of the following limitations:

2 (1) The maximum amount of the exemption for any one
3 taxpayer may not exceed 5% of the purchase price of
4 production related tangible personal property that is
5 purchased on or after July 1, 2007 and on or before June
6 30, 2008. A credit under Section 3-85 of this Act may not
7 be earned by the purchase of production related tangible
8 personal property for which an exemption is received under
9 this Section.

10 (2) The maximum aggregate amount of the exemptions for
11 production related tangible personal property purchased on
12 or after July 1, 2007 and on or before June 30, 2008
13 awarded under this Act and the Use Tax Act to all taxpayers
14 may not exceed \$10,000,000. If the claims for the exemption
15 exceed \$10,000,000, then the Department shall reduce the
16 amount of the exemption to each taxpayer on a pro rata
17 basis.

18 The Department shall ~~may~~ adopt rules to implement and
19 administer the exemption for production related tangible
20 personal property.

21 The manufacturing and assembling machinery and equipment
22 exemption includes the sale of materials to a purchaser who
23 produces exempted types of machinery, equipment, or tools and
24 who rents or leases that machinery, equipment, or tools to a
25 manufacturer of tangible personal property. This exemption
26 also includes the sale of materials to a purchaser who

1 manufactures those materials into an exempted type of
2 machinery, equipment, or tools that the purchaser uses himself
3 or herself in the manufacturing of tangible personal property.
4 The purchaser of the machinery and equipment who has an active
5 resale registration number shall furnish that number to the
6 seller at the time of purchase. A purchaser of the machinery,
7 equipment, and tools without an active resale registration
8 number shall furnish to the seller a certificate of exemption
9 for each transaction stating facts establishing the exemption
10 for that transaction, and that certificate shall be available
11 to the Department for inspection or audit. Informal rulings,
12 opinions, or letters issued by the Department in response to an
13 inquiry or request for an opinion from any person regarding the
14 coverage and applicability of this exemption to specific
15 devices shall be published, maintained as a public record, and
16 made available for public inspection and copying. If the
17 informal ruling, opinion, or letter contains trade secrets or
18 other confidential information, where possible, the Department
19 shall delete that information before publication. Whenever
20 informal rulings, opinions, or letters contain a policy of
21 general applicability, the Department shall formulate and
22 adopt that policy as a rule in accordance with the Illinois
23 Administrative Procedure Act.

24 (Source: P.A. 98-583, eff. 1-1-14.)

25 Section 99. Effective date. This Act takes effect upon
26 becoming law.