

# HB3673



## 100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB3673

by Rep. John M. Cabello - Brian W. Stewart

### SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-5  
35 ILCS 105/3-85  
35 ILCS 110/3-5  
35 ILCS 110/3-70  
35 ILCS 115/3-5  
35 ILCS 120/2-5

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Reinstates the graphic arts machinery and equipment exemption and the corresponding Manufacturer's Purchase Credit on and after January 1, 2017. Provides that those credits are exempt from the Acts' automatic sunset provisions. Effective immediately.

LRB100 10839 HLH 21073 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 and 3-85 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, and beginning again on January 1,  
4 2017, graphic arts machinery and equipment, including repair  
5 and replacement parts, both new and used, and including that  
6 manufactured on special order, certified by the purchaser to be  
7 used primarily for graphic arts production, and including  
8 machinery and equipment purchased for lease. Equipment  
9 includes chemicals or chemicals acting as catalysts but only if  
10 the chemicals or chemicals acting as catalysts effect a direct  
11 and immediate change upon a graphic arts product. This item (6)  
12 is exempt from the provisions of Section 3-90.

13 (7) Farm chemicals.

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

18 (9) Personal property purchased from a teacher-sponsored  
19 student organization affiliated with an elementary or  
20 secondary school located in Illinois.

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

24 (11) 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 (11). Agricultural chemical tender tanks and dry  
13 boxes 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 (11) is exempt from the  
6 provisions of Section 3-90.

7 (12) 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 (13) Proceeds of mandatory service charges separately  
25 stated on customers' bills for the purchase and consumption of  
26 food and beverages purchased at retail from a retailer, to the

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

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

15 (15) Photoprocessing machinery and equipment, including  
16 repair and replacement parts, both new and used, including that  
17 manufactured on special order, certified by the purchaser to be  
18 used primarily for photoprocessing, and including  
19 photoprocessing machinery and equipment purchased for lease.

20 (16) Coal and aggregate exploration, mining, off-highway  
21 hauling, processing, maintenance, and reclamation equipment,  
22 including replacement parts and equipment, and including  
23 equipment purchased for lease, but excluding motor vehicles  
24 required to be registered under the Illinois Vehicle Code. The  
25 changes made to this Section by Public Act 97-767 apply on and  
26 after July 1, 2003, but no claim for credit or refund is

1 allowed on or after August 16, 2013 (the effective date of  
2 Public Act 98-456) for such taxes paid during the period  
3 beginning July 1, 2003 and ending on August 16, 2013 (the  
4 effective date of Public Act 98-456).

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

11 (18) Manufacturing and assembling machinery and equipment  
12 used primarily in the process of manufacturing or assembling  
13 tangible personal property for wholesale or retail sale or  
14 lease, whether that sale or lease is made directly by the  
15 manufacturer or by some other person, whether the materials  
16 used in the process are owned by the manufacturer or some other  
17 person, or whether that sale or lease is made apart from or as  
18 an incident to the seller's engaging in the service occupation  
19 of producing machines, tools, dies, jigs, patterns, gauges, or  
20 other similar items of no commercial value on special order for  
21 a particular purchaser. The exemption provided by this  
22 paragraph (18) does not include machinery and equipment used in  
23 (i) the generation of electricity for wholesale or retail sale;  
24 (ii) the generation or treatment of natural or artificial gas  
25 for wholesale or retail sale that is delivered to customers  
26 through pipes, pipelines, or mains; or (iii) the treatment of



1 water for wholesale or retail sale that is delivered to  
2 customers through pipes, pipelines, or mains. The provisions of  
3 Public Act 98-583 are declaratory of existing law as to the  
4 meaning and scope of this exemption.

5 (19) Personal property delivered to a purchaser or  
6 purchaser's donee inside Illinois when the purchase order for  
7 that personal property was received by a florist located  
8 outside Illinois who has a florist located inside Illinois  
9 deliver the personal property.

10 (20) Semen used for artificial insemination of livestock  
11 for direct agricultural production.

12 (21) Horses, or interests in horses, registered with and  
13 meeting the requirements of any of the Arabian Horse Club  
14 Registry of America, Appaloosa Horse Club, American Quarter  
15 Horse Association, United States Trotting Association, or  
16 Jockey Club, as appropriate, used for purposes of breeding or  
17 racing for prizes. This item (21) is exempt from the provisions  
18 of Section 3-90, and the exemption provided for under this item  
19 (21) applies for all periods beginning May 30, 1995, but no  
20 claim for credit or refund is allowed on or after January 1,  
21 2008 for such taxes paid during the period beginning May 30,  
22 2000 and ending on January 1, 2008.

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

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

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

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

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

24 (25) Beginning with taxable years ending on or after  
25 December 31, 1995 and ending with taxable years ending on or  
26 before December 31, 2004, personal property that is used in the

1 performance of infrastructure repairs in this State, including  
2 but not limited to municipal roads and streets, access roads,  
3 bridges, sidewalks, waste disposal systems, water and sewer  
4 line extensions, water distribution and purification  
5 facilities, storm water drainage and retention facilities, and  
6 sewage treatment facilities, resulting from a State or  
7 federally declared disaster in Illinois or bordering Illinois  
8 when such repairs are initiated on facilities located in the  
9 declared disaster area within 6 months after the disaster.

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

14 (27) A motor vehicle, as that term is defined in Section  
15 1-146 of the Illinois Vehicle Code, that is donated to a  
16 corporation, limited liability company, society, association,  
17 foundation, or institution that is determined by the Department  
18 to be organized and operated exclusively for educational  
19 purposes. For purposes of this exemption, "a corporation,  
20 limited liability company, society, association, foundation,  
21 or institution organized and operated exclusively for  
22 educational purposes" means all tax-supported public schools,  
23 private schools that offer systematic instruction in useful  
24 branches of learning by methods common to public schools and  
25 that compare favorably in their scope and intensity with the  
26 course of study presented in tax-supported schools, and

1 vocational or technical schools or institutes organized and  
2 operated exclusively to provide a course of study of not less  
3 than 6 weeks duration and designed to prepare individuals to  
4 follow a trade or to pursue a manual, technical, mechanical,  
5 industrial, business, or commercial occupation.

6 (28) Beginning January 1, 2000, personal property,  
7 including food, purchased through fundraising events for the  
8 benefit of a public or private elementary or secondary school,  
9 a group of those schools, or one or more school districts if  
10 the events are sponsored by an entity recognized by the school  
11 district that consists primarily of volunteers and includes  
12 parents and teachers of the school children. This paragraph  
13 does not apply to fundraising events (i) for the benefit of  
14 private home instruction or (ii) for which the fundraising  
15 entity purchases the personal property sold at the events from  
16 another individual or entity that sold the property for the  
17 purpose of resale by the fundraising entity and that profits  
18 from the sale to the fundraising entity. This paragraph is  
19 exempt from the provisions of Section 3-90.

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

1 gross receipts derived from the use of the commercial,  
2 coin-operated amusement and vending machines. This paragraph  
3 is exempt from the provisions of Section 3-90.

4 (30) Beginning January 1, 2001 and through June 30, 2016,  
5 food for human consumption that is to be consumed off the  
6 premises where it is sold (other than alcoholic beverages, soft  
7 drinks, and food that has been prepared for immediate  
8 consumption) and prescription and nonprescription medicines,  
9 drugs, medical appliances, and insulin, urine testing  
10 materials, syringes, and needles used by diabetics, for human  
11 use, when purchased for use by a person receiving medical  
12 assistance under Article V of the Illinois Public Aid Code who  
13 resides in a licensed long-term care facility, as defined in  
14 the Nursing Home Care Act, or in a licensed facility as defined  
15 in the ID/DD Community Care Act, the MC/DD Act, or the  
16 Specialized Mental Health Rehabilitation Act of 2013.

17 (31) Beginning on the effective date of this amendatory Act  
18 of the 92nd General Assembly, computers and communications  
19 equipment utilized for any hospital purpose and equipment used  
20 in the diagnosis, analysis, or treatment of hospital patients  
21 purchased by a lessor who leases the equipment, under a lease  
22 of one year or longer executed or in effect at the time the  
23 lessor would otherwise be subject to the tax imposed by this  
24 Act, to a hospital that has been issued an active tax exemption  
25 identification number by the Department under Section 1g of the  
26 Retailers' Occupation Tax Act. If the equipment is leased in a

1 manner that does not qualify for this exemption or is used in  
2 any other nonexempt manner, the lessor shall be liable for the  
3 tax imposed under this Act or the Service Use Tax Act, as the  
4 case may be, based on the fair market value of the property at  
5 the time the nonqualifying use occurs. No lessor shall collect  
6 or attempt to collect an amount (however designated) that  
7 purports to reimburse that lessor for the tax imposed by this  
8 Act or the Service Use Tax Act, as the case may be, if the tax  
9 has not been paid by the lessor. If a lessor improperly  
10 collects any such amount from the lessee, the lessee shall have  
11 a legal right to claim a refund of that amount from the lessor.  
12 If, however, that amount is not refunded to the lessee for any  
13 reason, the lessor is liable to pay that amount to the  
14 Department. This paragraph is exempt from the provisions of  
15 Section 3-90.

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

1 Service Use Tax Act, as the case may be, based on the fair  
2 market value of the property at the time the nonqualifying use  
3 occurs. No lessor shall collect or attempt to collect an amount  
4 (however designated) that purports to reimburse that lessor for  
5 the tax imposed by this Act or the Service Use Tax Act, as the  
6 case may be, if the tax has not been paid by the lessor. If a  
7 lessor improperly collects any such amount from the lessee, the  
8 lessee shall have a legal right to claim a refund of that  
9 amount from the lessor. If, however, that amount is not  
10 refunded to the lessee for any reason, the lessor is liable to  
11 pay that amount to the Department. This paragraph is exempt  
12 from the provisions of Section 3-90.

13 (33) On and after July 1, 2003 and through June 30, 2004,  
14 the use in this State of motor vehicles of the second division  
15 with a gross vehicle weight in excess of 8,000 pounds and that  
16 are subject to the commercial distribution fee imposed under  
17 Section 3-815.1 of the Illinois Vehicle Code. Beginning on July  
18 1, 2004 and through June 30, 2005, the use in this State of  
19 motor vehicles of the second division: (i) with a gross vehicle  
20 weight rating in excess of 8,000 pounds; (ii) that are subject  
21 to the commercial distribution fee imposed under Section  
22 3-815.1 of the Illinois Vehicle Code; and (iii) that are  
23 primarily used for commercial purposes. Through June 30, 2005,  
24 this exemption applies to repair and replacement parts added  
25 after the initial purchase of such a motor vehicle if that  
26 motor vehicle is used in a manner that would qualify for the



1 rolling stock exemption otherwise provided for in this Act. For  
2 purposes of this paragraph, the term "used for commercial  
3 purposes" means the transportation of persons or property in  
4 furtherance of any commercial or industrial enterprise,  
5 whether for-hire or not.

6 (34) Beginning January 1, 2008, tangible personal property  
7 used in the construction or maintenance of a community water  
8 supply, as defined under Section 3.145 of the Environmental  
9 Protection Act, that is operated by a not-for-profit  
10 corporation that holds a valid water supply permit issued under  
11 Title IV of the Environmental Protection Act. This paragraph is  
12 exempt from the provisions of Section 3-90.

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

1 films. This exemption applies only to the use of qualifying  
2 tangible personal property by persons who modify, refurbish,  
3 complete, repair, replace, or maintain aircraft and who (i)  
4 hold an Air Agency Certificate and are empowered to operate an  
5 approved repair station by the Federal Aviation  
6 Administration, (ii) have a Class IV Rating, and (iii) conduct  
7 operations in accordance with Part 145 of the Federal Aviation  
8 Regulations. The exemption does not include aircraft operated  
9 by a commercial air carrier providing scheduled passenger air  
10 service pursuant to authority issued under Part 121 or Part 129  
11 of the Federal Aviation Regulations. The changes made to this  
12 paragraph (35) by Public Act 98-534 are declarative of existing  
13 law.

14 (36) Tangible personal property purchased by a  
15 public-facilities corporation, as described in Section  
16 11-65-10 of the Illinois Municipal Code, for purposes of  
17 constructing or furnishing a municipal convention hall, but  
18 only if the legal title to the municipal convention hall is  
19 transferred to the municipality without any further  
20 consideration by or on behalf of the municipality at the time  
21 of the completion of the municipal convention hall or upon the  
22 retirement or redemption of any bonds or other debt instruments  
23 issued by the public-facilities corporation in connection with  
24 the development of the municipal convention hall. This  
25 exemption includes existing public-facilities corporations as  
26 provided in Section 11-65-25 of the Illinois Municipal Code.

1 This paragraph is exempt from the provisions of Section 3-90.

2 (37) Beginning January 1, 2017, menstrual pads, tampons,  
3 and menstrual cups.

4 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
5 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.  
6 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.  
7 7-29-15; 99-855, eff. 8-19-16.)

8 (35 ILCS 105/3-85)

9 Sec. 3-85. Manufacturer's Purchase Credit. For purchases  
10 of machinery and equipment made on and after January 1, 1995  
11 through June 30, 2003, ~~and~~ on and after September 1, 2004  
12 through August 30, 2014, and on and after January 1, 2017, a  
13 purchaser of manufacturing machinery and equipment that  
14 qualifies for the exemption provided by paragraph (18) of  
15 Section 3-5 of this Act earns a credit in an amount equal to a  
16 fixed percentage of the tax which would have been incurred  
17 under this Act on those purchases. For purchases of graphic  
18 arts machinery and equipment made on or after July 1, 1996 and  
19 through June 30, 2003, ~~and~~ on and after September 1, 2004  
20 through August 30, 2014, and on and after January 1, 2017, a  
21 purchaser of graphic arts machinery and equipment that  
22 qualifies for the exemption provided by paragraph (6) of  
23 Section 3-5 of this Act earns a credit in an amount equal to a  
24 fixed percentage of the tax that would have been incurred under  
25 this Act on those purchases. The credit earned for purchases of

1 manufacturing machinery and equipment or graphic arts  
2 machinery and equipment shall be referred to as the  
3 Manufacturer's Purchase Credit. A graphic arts producer is a  
4 person engaged in graphic arts production as defined in Section  
5 2-30 of the Retailers' Occupation Tax Act. Beginning July 1,  
6 1996, all references in this Section to manufacturers or  
7 manufacturing shall also be deemed to refer to graphic arts  
8 producers or graphic arts production.

9 The amount of credit shall be a percentage of the tax that  
10 would have been incurred on the purchase of manufacturing  
11 machinery and equipment or graphic arts machinery and equipment  
12 if the exemptions provided by paragraph (6) or paragraph (18)  
13 of Section 3-5 of this Act had not been applicable. The  
14 percentage shall be as follows:

15 (1) 15% for purchases made on or before June 30, 1995.

16 (2) 25% for purchases made after June 30, 1995, and on  
17 or before June 30, 1996.

18 (3) 40% for purchases made after June 30, 1996, and on  
19 or before June 30, 1997.

20 (4) 50% for purchases made on or after July 1, 1997.

21 (a) Manufacturer's Purchase Credit earned prior to July 1,  
22 2003. This subsection (a) applies to Manufacturer's Purchase  
23 Credit earned prior to July 1, 2003. A purchaser of production  
24 related tangible personal property desiring to use the  
25 Manufacturer's Purchase Credit shall certify to the seller  
26 prior to October 1, 2003 that the purchaser is satisfying all

1 or part of the liability under the Use Tax Act or the Service  
2 Use Tax Act that is due on the purchase of the production  
3 related tangible personal property by use of Manufacturer's  
4 Purchase Credit. The Manufacturer's Purchase Credit  
5 certification must be dated and shall include the name and  
6 address of the purchaser, the purchaser's registration number,  
7 if registered, the credit being applied, and a statement that  
8 the State Use Tax or Service Use Tax liability is being  
9 satisfied with the manufacturer's or graphic arts producer's  
10 accumulated purchase credit. Certification may be incorporated  
11 into the manufacturer's or graphic arts producer's purchase  
12 order. Manufacturer's Purchase Credit certification provided  
13 by the manufacturer or graphic arts producer prior to October  
14 1, 2003 may be used to satisfy the retailer's or serviceman's  
15 liability under the Retailers' Occupation Tax Act or Service  
16 Occupation Tax Act for the credit claimed, not to exceed 6.25%  
17 of the receipts subject to tax from a qualifying purchase, but  
18 only if the retailer or serviceman reports the Manufacturer's  
19 Purchase Credit claimed as required by the Department. A  
20 Manufacturer's Purchase Credit reported on any original or  
21 amended return filed under this Act after October 20, 2003  
22 shall be disallowed. The Manufacturer's Purchase Credit earned  
23 by purchase of exempt manufacturing machinery and equipment or  
24 graphic arts machinery and equipment is a non-transferable  
25 credit. A manufacturer or graphic arts producer that enters  
26 into a contract involving the installation of tangible personal

1 property into real estate within a manufacturing or graphic  
2 arts production facility may, prior to October 1, 2003,  
3 authorize a construction contractor to utilize credit  
4 accumulated by the manufacturer or graphic arts producer to  
5 purchase the tangible personal property. A manufacturer or  
6 graphic arts producer intending to use accumulated credit to  
7 purchase such tangible personal property shall execute a  
8 written contract authorizing the contractor to utilize a  
9 specified dollar amount of credit. The contractor shall  
10 furnish, prior to October 1, 2003, the supplier with the  
11 manufacturer's or graphic arts producer's name, registration  
12 or resale number, and a statement that a specific amount of the  
13 Use Tax or Service Use Tax liability, not to exceed 6.25% of  
14 the selling price, is being satisfied with the credit. The  
15 manufacturer or graphic arts producer shall remain liable to  
16 timely report all information required by the annual Report of  
17 Manufacturer's Purchase Credit Used for all credit utilized by  
18 a construction contractor.

19 No Manufacturer's Purchase Credit earned prior to July 1,  
20 2003 may be used after October 1, 2003. The Manufacturer's  
21 Purchase Credit may be used to satisfy liability under the Use  
22 Tax Act or the Service Use Tax Act due on the purchase of  
23 production related tangible personal property (including  
24 purchases by a manufacturer, by a graphic arts producer, or by  
25 a lessor who rents or leases the use of the property to a  
26 manufacturer or graphic arts producer) that does not otherwise

1 qualify for the manufacturing machinery and equipment  
2 exemption or the graphic arts machinery and equipment  
3 exemption. "Production related tangible personal property"  
4 means (i) all tangible personal property used or consumed by  
5 the purchaser in a manufacturing facility in which a  
6 manufacturing process described in Section 2-45 of the  
7 Retailers' Occupation Tax Act takes place, including tangible  
8 personal property purchased for incorporation into real estate  
9 within a manufacturing facility and including, but not limited  
10 to, tangible personal property used or consumed in activities  
11 such as preproduction material handling, receiving, quality  
12 control, inventory control, storage, staging, and packaging  
13 for shipping and transportation purposes; (ii) all tangible  
14 personal property used or consumed by the purchaser in a  
15 graphic arts facility in which graphic arts production as  
16 described in Section 2-30 of the Retailers' Occupation Tax Act  
17 takes place, including tangible personal property purchased  
18 for incorporation into real estate within a graphic arts  
19 facility and including, but not limited to, all tangible  
20 personal property used or consumed in activities such as  
21 graphic arts preliminary or pre-press production,  
22 pre-production material handling, receiving, quality control,  
23 inventory control, storage, staging, sorting, labeling,  
24 mailing, tying, wrapping, and packaging; and (iii) all tangible  
25 personal property used or consumed by the purchaser for  
26 research and development. "Production related tangible

1 personal property" does not include (i) tangible personal  
2 property used, within or without a manufacturing facility, in  
3 sales, purchasing, accounting, fiscal management, marketing,  
4 personnel recruitment or selection, or landscaping or (ii)  
5 tangible personal property required to be titled or registered  
6 with a department, agency, or unit of federal, state, or local  
7 government. The Manufacturer's Purchase Credit may be used,  
8 prior to October 1, 2003, to satisfy the tax arising either  
9 from the purchase of machinery and equipment on or after  
10 January 1, 1995 for which the exemption provided by paragraph  
11 (18) of Section 3-5 of this Act was erroneously claimed, or the  
12 purchase of machinery and equipment on or after July 1, 1996  
13 for which the exemption provided by paragraph (6) of Section  
14 3-5 of this Act was erroneously claimed, but not in  
15 satisfaction of penalty, if any, and interest for failure to  
16 pay the tax when due. A purchaser of production related  
17 tangible personal property who is required to pay Illinois Use  
18 Tax or Service Use Tax on the purchase directly to the  
19 Department may, prior to October 1, 2003, utilize the  
20 Manufacturer's Purchase Credit in satisfaction of the tax  
21 arising from that purchase, but not in satisfaction of penalty  
22 and interest. A purchaser who uses the Manufacturer's Purchase  
23 Credit to purchase property which is later determined not to be  
24 production related tangible personal property may be liable for  
25 tax, penalty, and interest on the purchase of that property as  
26 of the date of purchase but shall be entitled to use the



1 disallowed Manufacturer's Purchase Credit, so long as it has  
2 not expired and is used prior to October 1, 2003, on qualifying  
3 purchases of production related tangible personal property not  
4 previously subject to credit usage. The Manufacturer's  
5 Purchase Credit earned by a manufacturer or graphic arts  
6 producer expires the last day of the second calendar year  
7 following the calendar year in which the credit arose. No  
8 Manufacturer's Purchase Credit may be used after September 30,  
9 2003 regardless of when that credit was earned.

10 A purchaser earning Manufacturer's Purchase Credit shall  
11 sign and file an annual Report of Manufacturer's Purchase  
12 Credit Earned for each calendar year no later than the last day  
13 of the sixth month following the calendar year in which a  
14 Manufacturer's Purchase Credit is earned. A Report of  
15 Manufacturer's Purchase Credit Earned shall be filed on forms  
16 as prescribed or approved by the Department and shall state,  
17 for each month of the calendar year: (i) the total purchase  
18 price of all purchases of exempt manufacturing or graphic arts  
19 machinery on which the credit was earned; (ii) the total State  
20 Use Tax or Service Use Tax which would have been due on those  
21 items; (iii) the percentage used to calculate the amount of  
22 credit earned; (iv) the amount of credit earned; and (v) such  
23 other information as the Department may reasonably require. A  
24 purchaser earning Manufacturer's Purchase Credit shall  
25 maintain records which identify, as to each purchase of  
26 manufacturing or graphic arts machinery and equipment on which

1 the purchaser earned Manufacturer's Purchase Credit, the  
2 vendor (including, if applicable, either the vendor's  
3 registration number or Federal Employer Identification  
4 Number), the purchase price, and the amount of Manufacturer's  
5 Purchase Credit earned on each purchase.

6 A purchaser using Manufacturer's Purchase Credit shall  
7 sign and file an annual Report of Manufacturer's Purchase  
8 Credit Used for each calendar year no later than the last day  
9 of the sixth month following the calendar year in which a  
10 Manufacturer's Purchase Credit is used. A Report of  
11 Manufacturer's Purchase Credit Used shall be filed on forms as  
12 prescribed or approved by the Department and shall state, for  
13 each month of the calendar year: (i) the total purchase price  
14 of production related tangible personal property purchased  
15 from Illinois suppliers; (ii) the total purchase price of  
16 production related tangible personal property purchased from  
17 out-of-state suppliers; (iii) the total amount of credit used  
18 during such month; and (iv) such other information as the  
19 Department may reasonably require. A purchaser using  
20 Manufacturer's Purchase Credit shall maintain records that  
21 identify, as to each purchase of production related tangible  
22 personal property on which the purchaser used Manufacturer's  
23 Purchase Credit, the vendor (including, if applicable, either  
24 the vendor's registration number or Federal Employer  
25 Identification Number), the purchase price, and the amount of  
26 Manufacturer's Purchase Credit used on each purchase.

1           No annual report shall be filed before May 1, 1996 or after  
2           June 30, 2004. A purchaser that fails to file an annual Report  
3           of Manufacturer's Purchase Credit Earned or an annual Report of  
4           Manufacturer's Purchase Credit Used by the last day of the  
5           sixth month following the end of the calendar year shall  
6           forfeit all Manufacturer's Purchase Credit for that calendar  
7           year unless it establishes that its failure to file was due to  
8           reasonable cause. Manufacturer's Purchase Credit reports may  
9           be amended to report and claim credit on qualifying purchases  
10          not previously reported at any time before the credit would  
11          have expired, unless both the Department and the purchaser have  
12          agreed to an extension of the statute of limitations for the  
13          issuance of a notice of tax liability as provided in Section 4  
14          of the Retailers' Occupation Tax Act. If the time for  
15          assessment or refund has been extended, then amended reports  
16          for a calendar year may be filed at any time prior to the date  
17          to which the statute of limitations for the calendar year or  
18          portion thereof has been extended. No Manufacturer's Purchase  
19          Credit report filed with the Department for periods prior to  
20          January 1, 1995 shall be approved. Manufacturer's Purchase  
21          Credit claimed on an amended report may be used, until October  
22          1, 2003, to satisfy tax liability under the Use Tax Act or the  
23          Service Use Tax Act (i) on qualifying purchases of production  
24          related tangible personal property made after the date the  
25          amended report is filed or (ii) assessed by the Department on  
26          qualifying purchases of production related tangible personal

1 property made in the case of manufacturers on or after January  
2 1, 1995, or in the case of graphic arts producers on or after  
3 July 1, 1996.

4 If the purchaser is not the manufacturer or a graphic arts  
5 producer, but rents or leases the use of the property to a  
6 manufacturer or graphic arts producer, the purchaser may earn,  
7 report, and use Manufacturer's Purchase Credit in the same  
8 manner as a manufacturer or graphic arts producer.

9 A purchaser shall not be entitled to any Manufacturer's  
10 Purchase Credit for a purchase that is required to be reported  
11 and is not timely reported as provided in this Section. A  
12 purchaser remains liable for (i) any tax that was satisfied by  
13 use of a Manufacturer's Purchase Credit, as of the date of  
14 purchase, if that use is not timely reported as required in  
15 this Section and (ii) for any applicable penalties and interest  
16 for failing to pay the tax when due. No Manufacturer's Purchase  
17 Credit may be used after September 30, 2003 to satisfy any tax  
18 liability imposed under this Act, including any audit  
19 liability.

20 (b) Manufacturer's Purchase Credit earned on and after  
21 September 1, 2004. This subsection (b) applies to  
22 Manufacturer's Purchase Credit earned on and after September 1,  
23 2004. Manufacturer's Purchase Credit earned on or after  
24 September 1, 2004 may only be used to satisfy the Use Tax or  
25 Service Use Tax liability incurred on production related  
26 tangible personal property purchased on or after September 1,

1 2004. A purchaser of production related tangible personal  
2 property desiring to use the Manufacturer's Purchase Credit  
3 shall certify to the seller that the purchaser is satisfying  
4 all or part of the liability under the Use Tax Act or the  
5 Service Use Tax Act that is due on the purchase of the  
6 production related tangible personal property by use of  
7 Manufacturer's Purchase Credit. The Manufacturer's Purchase  
8 Credit certification must be dated and shall include the name  
9 and address of the purchaser, the purchaser's registration  
10 number, if registered, the credit being applied, and a  
11 statement that the State Use Tax or Service Use Tax liability  
12 is being satisfied with the manufacturer's or graphic arts  
13 producer's accumulated purchase credit. Certification may be  
14 incorporated into the manufacturer's or graphic arts  
15 producer's purchase order. Manufacturer's Purchase Credit  
16 certification provided by the manufacturer or graphic arts  
17 producer may be used to satisfy the retailer's or serviceman's  
18 liability under the Retailers' Occupation Tax Act or Service  
19 Occupation Tax Act for the credit claimed, not to exceed 6.25%  
20 of the receipts subject to tax from a qualifying purchase, but  
21 only if the retailer or serviceman reports the Manufacturer's  
22 Purchase Credit claimed as required by the Department. The  
23 Manufacturer's Purchase Credit earned by purchase of exempt  
24 manufacturing machinery and equipment or graphic arts  
25 machinery and equipment is a non-transferable credit. A  
26 manufacturer or graphic arts producer that enters into a

1 contract involving the installation of tangible personal  
2 property into real estate within a manufacturing or graphic  
3 arts production facility may, on or after September 1, 2004,  
4 authorize a construction contractor to utilize credit  
5 accumulated by the manufacturer or graphic arts producer to  
6 purchase the tangible personal property. A manufacturer or  
7 graphic arts producer intending to use accumulated credit to  
8 purchase such tangible personal property shall execute a  
9 written contract authorizing the contractor to utilize a  
10 specified dollar amount of credit. The contractor shall furnish  
11 the supplier with the manufacturer's or graphic arts producer's  
12 name, registration or resale number, and a statement that a  
13 specific amount of the Use Tax or Service Use Tax liability,  
14 not to exceed 6.25% of the selling price, is being satisfied  
15 with the credit. The manufacturer or graphic arts producer  
16 shall remain liable to timely report all information required  
17 by the annual Report of Manufacturer's Purchase Credit Used for  
18 all credit utilized by a construction contractor.

19 The Manufacturer's Purchase Credit may be used to satisfy  
20 liability under the Use Tax Act or the Service Use Tax Act due  
21 on the purchase, made on or after September 1, 2004, of  
22 production related tangible personal property (including  
23 purchases by a manufacturer, by a graphic arts producer, or by  
24 a lessor who rents or leases the use of the property to a  
25 manufacturer or graphic arts producer) that does not otherwise  
26 qualify for the manufacturing machinery and equipment

1 exemption or the graphic arts machinery and equipment  
2 exemption. "Production related tangible personal property"  
3 means (i) all tangible personal property used or consumed by  
4 the purchaser in a manufacturing facility in which a  
5 manufacturing process described in Section 2-45 of the  
6 Retailers' Occupation Tax Act takes place, including tangible  
7 personal property purchased for incorporation into real estate  
8 within a manufacturing facility and including, but not limited  
9 to, tangible personal property used or consumed in activities  
10 such as preproduction material handling, receiving, quality  
11 control, inventory control, storage, staging, and packaging  
12 for shipping and transportation purposes; (ii) all tangible  
13 personal property used or consumed by the purchaser in a  
14 graphic arts facility in which graphic arts production as  
15 described in Section 2-30 of the Retailers' Occupation Tax Act  
16 takes place, including tangible personal property purchased  
17 for incorporation into real estate within a graphic arts  
18 facility and including, but not limited to, all tangible  
19 personal property used or consumed in activities such as  
20 graphic arts preliminary or pre-press production,  
21 pre-production material handling, receiving, quality control,  
22 inventory control, storage, staging, sorting, labeling,  
23 mailing, tying, wrapping, and packaging; and (iii) all tangible  
24 personal property used or consumed by the purchaser for  
25 research and development. "Production related tangible  
26 personal property" does not include (i) tangible personal

1 property used, within or without a manufacturing facility, in  
2 sales, purchasing, accounting, fiscal management, marketing,  
3 personnel recruitment or selection, or landscaping or (ii)  
4 tangible personal property required to be titled or registered  
5 with a department, agency, or unit of federal, state, or local  
6 government. The Manufacturer's Purchase Credit may be used to  
7 satisfy the tax arising either from the purchase of machinery  
8 and equipment on or after September 1, 2004 for which the  
9 exemption provided by paragraph (18) of Section 3-5 of this Act  
10 was erroneously claimed, or the purchase of machinery and  
11 equipment on or after September 1, 2004 for which the exemption  
12 provided by paragraph (6) of Section 3-5 of this Act was  
13 erroneously claimed, but not in satisfaction of penalty, if  
14 any, and interest for failure to pay the tax when due. A  
15 purchaser of production related tangible personal property  
16 that is purchased on or after September 1, 2004 who is required  
17 to pay Illinois Use Tax or Service Use Tax on the purchase  
18 directly to the Department may utilize the Manufacturer's  
19 Purchase Credit in satisfaction of the tax arising from that  
20 purchase, but not in satisfaction of penalty and interest. A  
21 purchaser who uses the Manufacturer's Purchase Credit to  
22 purchase property on and after September 1, 2004 which is later  
23 determined not to be production related tangible personal  
24 property may be liable for tax, penalty, and interest on the  
25 purchase of that property as of the date of purchase but shall  
26 be entitled to use the disallowed Manufacturer's Purchase



1 Credit, so long as it has not expired and is used on qualifying  
2 purchases of production related tangible personal property not  
3 previously subject to credit usage. The Manufacturer's  
4 Purchase Credit earned by a manufacturer or graphic arts  
5 producer expires the last day of the second calendar year  
6 following the calendar year in which the credit arose. A  
7 purchaser earning Manufacturer's Purchase Credit shall sign  
8 and file an annual Report of Manufacturer's Purchase Credit  
9 Earned for each calendar year no later than the last day of the  
10 sixth month following the calendar year in which a  
11 Manufacturer's Purchase Credit is earned. A Report of  
12 Manufacturer's Purchase Credit Earned shall be filed on forms  
13 as prescribed or approved by the Department and shall state,  
14 for each month of the calendar year: (i) the total purchase  
15 price of all purchases of exempt manufacturing or graphic arts  
16 machinery on which the credit was earned; (ii) the total State  
17 Use Tax or Service Use Tax which would have been due on those  
18 items; (iii) the percentage used to calculate the amount of  
19 credit earned; (iv) the amount of credit earned; and (v) such  
20 other information as the Department may reasonably require. A  
21 purchaser earning Manufacturer's Purchase Credit shall  
22 maintain records which identify, as to each purchase of  
23 manufacturing or graphic arts machinery and equipment on which  
24 the purchaser earned Manufacturer's Purchase Credit, the  
25 vendor (including, if applicable, either the vendor's  
26 registration number or Federal Employer Identification

1 Number), the purchase price, and the amount of Manufacturer's  
2 Purchase Credit earned on each purchase. A purchaser using  
3 Manufacturer's Purchase Credit shall sign and file an annual  
4 Report of Manufacturer's Purchase Credit Used for each calendar  
5 year no later than the last day of the sixth month following  
6 the calendar year in which a Manufacturer's Purchase Credit is  
7 used. A Report of Manufacturer's Purchase Credit Used shall be  
8 filed on forms as prescribed or approved by the Department and  
9 shall state, for each month of the calendar year: (i) the total  
10 purchase price of production related tangible personal  
11 property purchased from Illinois suppliers; (ii) the total  
12 purchase price of production related tangible personal  
13 property purchased from out-of-state suppliers; (iii) the  
14 total amount of credit used during such month; and (iv) such  
15 other information as the Department may reasonably require. A  
16 purchaser using Manufacturer's Purchase Credit shall maintain  
17 records that identify, as to each purchase of production  
18 related tangible personal property on which the purchaser used  
19 Manufacturer's Purchase Credit, the vendor (including, if  
20 applicable, either the vendor's registration number or Federal  
21 Employer Identification Number), the purchase price, and the  
22 amount of Manufacturer's Purchase Credit used on each purchase.

23 A purchaser that fails to file an annual Report of  
24 Manufacturer's Purchase Credit Earned or an annual Report of  
25 Manufacturer's Purchase Credit Used by the last day of the  
26 sixth month following the end of the calendar year shall

1     forfeit all Manufacturer's Purchase Credit for that calendar  
2     year unless it establishes that its failure to file was due to  
3     reasonable cause. Manufacturer's Purchase Credit reports may  
4     be amended to report and claim credit on qualifying purchases  
5     not previously reported at any time before the credit would  
6     have expired, unless both the Department and the purchaser have  
7     agreed to an extension of the statute of limitations for the  
8     issuance of a notice of tax liability as provided in Section 4  
9     of the Retailers' Occupation Tax Act. If the time for  
10    assessment or refund has been extended, then amended reports  
11    for a calendar year may be filed at any time prior to the date  
12    to which the statute of limitations for the calendar year or  
13    portion thereof has been extended. Manufacturer's Purchase  
14    Credit claimed on an amended report may be used to satisfy tax  
15    liability under the Use Tax Act or the Service Use Tax Act (i)  
16    on qualifying purchases of production related tangible  
17    personal property made after the date the amended report is  
18    filed or (ii) assessed by the Department on qualifying  
19    production related tangible personal property purchased on or  
20    after September 1, 2004. If the purchaser is not the  
21    manufacturer or a graphic arts producer, but rents or leases  
22    the use of the property to a manufacturer or graphic arts  
23    producer, the purchaser may earn, report, and use  
24    Manufacturer's Purchase Credit in the same manner as a  
25    manufacturer or graphic arts producer. A purchaser shall not be  
26    entitled to any Manufacturer's Purchase Credit for a purchase

1 that is required to be reported and is not timely reported as  
2 provided in this Section. A purchaser remains liable for (i)  
3 any tax that was satisfied by use of a Manufacturer's Purchase  
4 Credit, as of the date of purchase, if that use is not timely  
5 reported as required in this Section and (ii) for any  
6 applicable penalties and interest for failing to pay the tax  
7 when due.

8 This Section is exempt from the provisions of Section 3-90.

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

10 Section 10. The Service Use Tax Act is amended by changing  
11 Sections 3-5 and 3-70 as follows:

12 (35 ILCS 110/3-5)

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

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

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

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

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

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

1 chemicals or chemicals acting as catalysts effect a direct and  
2 immediate change upon a graphic arts product. This item (5) is  
3 exempt from the provisions of Section 3-75.

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

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

26 Farm machinery and equipment shall include precision

1 farming equipment that is installed or purchased to be  
2 installed on farm machinery and equipment including, but not  
3 limited to, tractors, harvesters, sprayers, planters, seeders,  
4 or spreaders. Precision farming equipment includes, but is not  
5 limited to, soil testing sensors, computers, monitors,  
6 software, global positioning and mapping systems, and other  
7 such equipment.

8 Farm machinery and equipment also includes computers,  
9 sensors, software, and related equipment used primarily in the  
10 computer-assisted operation of production agriculture  
11 facilities, equipment, and activities such as, but not limited  
12 to, the collection, monitoring, and correlation of animal and  
13 crop data for the purpose of formulating animal diets and  
14 agricultural chemicals. This item (7) is exempt from the  
15 provisions of Section 3-75.

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

23 Beginning July 1, 2013, fuel and petroleum products sold to  
24 or used by an air carrier, certified by the carrier to be used  
25 for consumption, shipment, or storage in the conduct of its  
26 business as an air common carrier, for a flight that (i) is

1 engaged in foreign trade or is engaged in trade between the  
2 United States and any of its possessions and (ii) transports at  
3 least one individual or package for hire from the city of  
4 origination to the city of final destination on the same  
5 aircraft, without regard to a change in the flight number of  
6 that aircraft.

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

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

25 (11) Proceeds from the sale of photoprocessing machinery  
26 and equipment, including repair and replacement parts, both new



1 and used, including that manufactured on special order,  
2 certified by the purchaser to be used primarily for  
3 photoprocessing, and including photoprocessing machinery and  
4 equipment purchased for lease.

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

16 (13) Semen used for artificial insemination of livestock  
17 for direct agricultural production.

18 (14) Horses, or interests in horses, registered with and  
19 meeting the requirements of any of the Arabian Horse Club  
20 Registry of America, Appaloosa Horse Club, American Quarter  
21 Horse Association, United States Trotting Association, or  
22 Jockey Club, as appropriate, used for purposes of breeding or  
23 racing for prizes. This item (14) is exempt from the provisions  
24 of Section 3-75, and the exemption provided for under this item  
25 (14) applies for all periods beginning May 30, 1995, but no  
26 claim for credit or refund is allowed on or after the effective

1 date of this amendatory Act of the 95th General Assembly for  
2 such taxes paid during the period beginning May 30, 2000 and  
3 ending on the effective date of this amendatory Act of the 95th  
4 General Assembly.

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

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

21           (17) Beginning with taxable years ending on or after  
22 December 31, 1995 and ending with taxable years ending on or  
23 before December 31, 2004, personal property that is donated for  
24 disaster relief to be used in a State or federally declared  
25 disaster area in Illinois or bordering Illinois by a  
26 manufacturer or retailer that is registered in this State to a

1 corporation, society, association, foundation, or institution  
2 that has been issued a sales tax exemption identification  
3 number by the Department that assists victims of the disaster  
4 who reside within the declared disaster area.

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

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

21 (20) A motor vehicle, as that term is defined in Section  
22 1-146 of the Illinois Vehicle Code, that is donated to a  
23 corporation, limited liability company, society, association,  
24 foundation, or institution that is determined by the Department  
25 to be organized and operated exclusively for educational  
26 purposes. For purposes of this exemption, "a corporation,

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

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

1           (22) Beginning January 1, 2000 and through December 31,  
2           2001, new or used automatic vending machines that prepare and  
3           serve hot food and beverages, including coffee, soup, and other  
4           items, and replacement parts for these machines. Beginning  
5           January 1, 2002 and through June 30, 2003, machines and parts  
6           for machines used in commercial, coin-operated amusement and  
7           vending business if a use or occupation tax is paid on the  
8           gross receipts derived from the use of the commercial,  
9           coin-operated amusement and vending machines. This paragraph  
10          is exempt from the provisions of Section 3-75.

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

24          (24) Beginning on the effective date of this amendatory Act  
25          of the 92nd General Assembly, computers and communications  
26          equipment utilized for any hospital purpose and equipment used

1 in the diagnosis, analysis, or treatment of hospital patients  
2 purchased by a lessor who leases the equipment, under a lease  
3 of one year or longer executed or in effect at the time the  
4 lessor would otherwise be subject to the tax imposed by this  
5 Act, to a hospital that has been issued an active tax exemption  
6 identification number by the Department under Section 1g of the  
7 Retailers' Occupation Tax Act. If the equipment is leased in a  
8 manner that does not qualify for this exemption or is used in  
9 any other nonexempt manner, the lessor shall be liable for the  
10 tax imposed under this Act or the Use Tax Act, as the case may  
11 be, based on the fair market value of the property at the time  
12 the nonqualifying use occurs. No lessor shall collect or  
13 attempt to collect an amount (however designated) that purports  
14 to reimburse that lessor for the tax imposed by this Act or the  
15 Use Tax Act, as the case may be, if the tax has not been paid by  
16 the lessor. If a lessor improperly collects any such amount  
17 from the lessee, the lessee shall have a legal right to claim a  
18 refund of that amount from the lessor. If, however, that amount  
19 is not refunded to the lessee for any reason, the lessor is  
20 liable to pay that amount to the Department. This paragraph is  
21 exempt from the provisions of Section 3-75.

22 (25) Beginning on the effective date of this amendatory Act  
23 of the 92nd General Assembly, personal property purchased by a  
24 lessor who leases the property, under a lease of one year or  
25 longer executed or in effect at the time the lessor would  
26 otherwise be subject to the tax imposed by this Act, to a

1 governmental body that has been issued an active tax exemption  
2 identification number by the Department under Section 1g of the  
3 Retailers' Occupation Tax Act. If the property is leased in a  
4 manner that does not qualify for this exemption or is used in  
5 any other nonexempt manner, the lessor shall be liable for the  
6 tax imposed under this Act or the Use Tax Act, as the case may  
7 be, based on the fair market value of the property at the time  
8 the nonqualifying use occurs. No lessor shall collect or  
9 attempt to collect an amount (however designated) that purports  
10 to reimburse that lessor for the tax imposed by this Act or the  
11 Use Tax Act, as the case may be, if the tax has not been paid by  
12 the lessor. If a lessor improperly collects any such amount  
13 from the lessee, the lessee shall have a legal right to claim a  
14 refund of that amount from the lessor. If, however, that amount  
15 is not refunded to the lessee for any reason, the lessor is  
16 liable to pay that amount to the Department. This paragraph is  
17 exempt from the provisions of Section 3-75.

18 (26) Beginning January 1, 2008, tangible personal property  
19 used in the construction or maintenance of a community water  
20 supply, as defined under Section 3.145 of the Environmental  
21 Protection Act, that is operated by a not-for-profit  
22 corporation that holds a valid water supply permit issued under  
23 Title IV of the Environmental Protection Act. This paragraph is  
24 exempt from the provisions of Section 3-75.

25 (27) Beginning January 1, 2010, materials, parts,  
26 equipment, components, and furnishings incorporated into or



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

1           (28) Tangible personal property purchased by a  
2 public-facilities corporation, as described in Section  
3 11-65-10 of the Illinois Municipal Code, for purposes of  
4 constructing or furnishing a municipal convention hall, but  
5 only if the legal title to the municipal convention hall is  
6 transferred to the municipality without any further  
7 consideration by or on behalf of the municipality at the time  
8 of the completion of the municipal convention hall or upon the  
9 retirement or redemption of any bonds or other debt instruments  
10 issued by the public-facilities corporation in connection with  
11 the development of the municipal convention hall. This  
12 exemption includes existing public-facilities corporations as  
13 provided in Section 11-65-25 of the Illinois Municipal Code.  
14 This paragraph is exempt from the provisions of Section 3-75.

15           (29) Beginning January 1, 2017, menstrual pads, tampons,  
16 and menstrual cups.

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

20           (35 ILCS 110/3-70)

21           Sec. 3-70. Manufacturer's Purchase Credit. For purchases  
22 of machinery and equipment made on and after January 1, 1995  
23 and through June 30, 2003, ~~and~~ on and after September 1, 2004  
24 through August 30, 2014, and on and after January 1, 2017, a  
25 purchaser of manufacturing machinery and equipment that

1 qualifies for the exemption provided by Section 2 of this Act  
2 earns a credit in an amount equal to a fixed percentage of the  
3 tax which would have been incurred under this Act on those  
4 purchases. For purchases of graphic arts machinery and  
5 equipment made on or after July 1, 1996 through June 30, 2003,  
6 ~~and~~ on and after September 1, 2004 through August 30, 2014, and  
7 on and after January 1, 2017, a purchase of graphic arts  
8 machinery and equipment that qualifies for the exemption  
9 provided by paragraph (5) of Section 3-5 of this Act earns a  
10 credit in an amount equal to a fixed percentage of the tax that  
11 would have been incurred under this Act on those purchases. The  
12 credit earned for the purchase of manufacturing machinery and  
13 equipment and graphic arts machinery and equipment shall be  
14 referred to as the Manufacturer's Purchase Credit. A graphic  
15 arts producer is a person engaged in graphic arts production as  
16 defined in Section 3-30 of the Service Occupation Tax Act.  
17 Beginning July 1, 1996, all references in this Section to  
18 manufacturers or manufacturing shall also refer to graphic arts  
19 producers or graphic arts production.

20 The amount of credit shall be a percentage of the tax that  
21 would have been incurred on the purchase of the manufacturing  
22 machinery and equipment or graphic arts machinery and equipment  
23 if the exemptions provided by Section 2 or paragraph (5) of  
24 Section 3-5 of this Act had not been applicable.

25 All purchases prior to October 1, 2003 of manufacturing  
26 machinery and equipment and graphic arts machinery and

1 equipment that qualify for the exemptions provided by paragraph  
2 (5) of Section 2 or paragraph (5) of Section 3-5 of this Act  
3 qualify for the credit without regard to whether the serviceman  
4 elected, or could have elected, under paragraph (7) of Section  
5 2 of this Act to exclude the transaction from this Act. If the  
6 serviceman's billing to the service customer separately states  
7 a selling price for the exempt manufacturing machinery or  
8 equipment or the exempt graphic arts machinery and equipment,  
9 the credit shall be calculated, as otherwise provided herein,  
10 based on that selling price. If the serviceman's billing does  
11 not separately state a selling price for the exempt  
12 manufacturing machinery and equipment or the exempt graphic  
13 arts machinery and equipment, the credit shall be calculated,  
14 as otherwise provided herein, based on 50% of the entire  
15 billing. If the serviceman contracts to design, develop, and  
16 produce special order manufacturing machinery and equipment or  
17 special order graphic arts machinery and equipment, and the  
18 billing does not separately state a selling price for such  
19 special order machinery and equipment, the credit shall be  
20 calculated, as otherwise provided herein, based on 50% of the  
21 entire billing. The provisions of this paragraph are effective  
22 for purchases made on or after January 1, 1995.

23 The percentage shall be as follows:

24 (1) 15% for purchases made on or before June 30, 1995.

25 (2) 25% for purchases made after June 30, 1995, and on  
26 or before June 30, 1996.

1           (3) 40% for purchases made after June 30, 1996, and on  
2           or before June 30, 1997.

3           (4) 50% for purchases made on or after July 1, 1997.

4           (a) Manufacturer's Purchase Credit earned prior to July 1,  
5           2003. This subsection (a) applies to Manufacturer's Purchase  
6           Credit earned prior to July 1, 2003. A purchaser of production  
7           related tangible personal property desiring to use the  
8           Manufacturer's Purchase Credit shall certify to the seller  
9           prior to October 1, 2003 that the purchaser is satisfying all  
10          or part of the liability under the Use Tax Act or the Service  
11          Use Tax Act that is due on the purchase of the production  
12          related tangible personal property by use of a Manufacturer's  
13          Purchase Credit. The Manufacturer's Purchase Credit  
14          certification must be dated and shall include the name and  
15          address of the purchaser, the purchaser's registration number,  
16          if registered, the credit being applied, and a statement that  
17          the State Use Tax or Service Use Tax liability is being  
18          satisfied with the manufacturer's or graphic arts producer's  
19          accumulated purchase credit. Certification may be incorporated  
20          into the manufacturer's or graphic arts producer's purchase  
21          order. Manufacturer's Purchase Credit certification provided  
22          by the manufacturer or graphic arts producer prior to October  
23          1, 2003 may be used to satisfy the retailer's or serviceman's  
24          liability under the Retailers' Occupation Tax Act or Service  
25          Occupation Tax Act for the credit claimed, not to exceed 6.25%  
26          of the receipts subject to tax from a qualifying purchase, but

1 only if the retailer or serviceman reports the Manufacturer's  
2 Purchase Credit claimed as required by the Department. A  
3 Manufacturer's Purchase Credit reported on any original or  
4 amended return filed under this Act after October 20, 2003  
5 shall be disallowed. The Manufacturer's Purchase Credit earned  
6 by purchase of exempt manufacturing machinery and equipment or  
7 graphic arts machinery and equipment is a non-transferable  
8 credit. A manufacturer or graphic arts producer that enters  
9 into a contract involving the installation of tangible personal  
10 property into real estate within a manufacturing or graphic  
11 arts production facility, prior to October 1, 2003, may  
12 authorize a construction contractor to utilize credit  
13 accumulated by the manufacturer or graphic arts producer to  
14 purchase the tangible personal property. A manufacturer or  
15 graphic arts producer intending to use accumulated credit to  
16 purchase such tangible personal property shall execute a  
17 written contract authorizing the contractor to utilize a  
18 specified dollar amount of credit. The contractor shall  
19 furnish, prior to October 1, 2003, the supplier with the  
20 manufacturer's or graphic arts producer's name, registration  
21 or resale number, and a statement that a specific amount of the  
22 Use Tax or Service Use Tax liability, not to exceed 6.25% of  
23 the selling price, is being satisfied with the credit. The  
24 manufacturer or graphic arts producer shall remain liable to  
25 timely report all information required by the annual Report of  
26 Manufacturer's Purchase Credit Used for credit utilized by a

1 construction contractor.

2 No Manufacturer's Purchase Credit earned prior to July 1,  
3 2003 may be used after October 1, 2003. The Manufacturer's  
4 Purchase Credit may be used to satisfy liability under the Use  
5 Tax Act or the Service Use Tax Act due on the purchase of  
6 production related tangible personal property (including  
7 purchases by a manufacturer, by a graphic arts producer, or a  
8 lessor who rents or leases the use of the property to a  
9 manufacturer or graphic arts producer) that does not otherwise  
10 qualify for the manufacturing machinery and equipment  
11 exemption or the graphic arts machinery and equipment  
12 exemption. "Production related tangible personal property"  
13 means (i) all tangible personal property used or consumed by  
14 the purchaser in a manufacturing facility in which a  
15 manufacturing process described in Section 2-45 of the  
16 Retailers' Occupation Tax Act takes place, including tangible  
17 personal property purchased for incorporation into real estate  
18 within a manufacturing facility and including, but not limited  
19 to, tangible personal property used or consumed in activities  
20 such as pre-production material handling, receiving, quality  
21 control, inventory control, storage, staging, and packaging  
22 for shipping and transportation purposes; (ii) all tangible  
23 personal property used or consumed by the purchaser in a  
24 graphic arts facility in which graphic arts production as  
25 described in Section 2-30 of the Retailers' Occupation Tax Act  
26 takes place, including tangible personal property purchased

1 for incorporation into real estate within a graphic arts  
2 facility and including, but not limited to, all tangible  
3 personal property used or consumed in activities such as  
4 graphic arts preliminary or pre-press production,  
5 pre-production material handling, receiving, quality control,  
6 inventory control, storage, staging, sorting, labeling,  
7 mailing, tying, wrapping, and packaging; and (iii) all tangible  
8 personal property used or consumed by the purchaser for  
9 research and development. "Production related tangible  
10 personal property" does not include (i) tangible personal  
11 property used, within or without a manufacturing or graphic  
12 arts facility, in sales, purchasing, accounting, fiscal  
13 management, marketing, personnel recruitment or selection, or  
14 landscaping or (ii) tangible personal property required to be  
15 titled or registered with a department, agency, or unit of  
16 federal, state, or local government. The Manufacturer's  
17 Purchase Credit may be used, prior to October 1, 2003, to  
18 satisfy the tax arising either from the purchase of machinery  
19 and equipment on or after January 1, 1995 for which the  
20 manufacturing machinery and equipment exemption provided by  
21 Section 2 of this Act was erroneously claimed, or the purchase  
22 of machinery and equipment on or after July 1, 1996 for which  
23 the exemption provided by paragraph (5) of Section 3-5 of this  
24 Act was erroneously claimed, but not in satisfaction of  
25 penalty, if any, and interest for failure to pay the tax when  
26 due. A purchaser of production related tangible personal



1 property who is required to pay Illinois Use Tax or Service Use  
2 Tax on the purchase directly to the Department may, prior to  
3 October 1, 2003, utilize the Manufacturer's Purchase Credit in  
4 satisfaction of the tax arising from that purchase, but not in  
5 satisfaction of penalty and interest. A purchaser who uses the  
6 Manufacturer's Purchase Credit to purchase property which is  
7 later determined not to be production related tangible personal  
8 property may be liable for tax, penalty, and interest on the  
9 purchase of that property as of the date of purchase but shall  
10 be entitled to use the disallowed Manufacturer's Purchase  
11 Credit, so long as it has not expired and is used prior to  
12 October 1, 2003, on qualifying purchases of production related  
13 tangible personal property not previously subject to credit  
14 usage. The Manufacturer's Purchase Credit earned by a  
15 manufacturer or graphic arts producer expires the last day of  
16 the second calendar year following the calendar year in which  
17 the credit arose. No Manufacturer's Purchase Credit may be used  
18 after September 30, 2003 regardless of when that credit was  
19 earned.

20 A purchaser earning Manufacturer's Purchase Credit shall  
21 sign and file an annual Report of Manufacturer's Purchase  
22 Credit Earned for each calendar year no later than the last day  
23 of the sixth month following the calendar year in which a  
24 Manufacturer's Purchase Credit is earned. A Report of  
25 Manufacturer's Purchase Credit Earned shall be filed on forms  
26 as prescribed or approved by the Department and shall state,

1 for each month of the calendar year: (i) the total purchase  
2 price of all purchases of exempt manufacturing or graphic arts  
3 machinery on which the credit was earned; (ii) the total State  
4 Use Tax or Service Use Tax which would have been due on those  
5 items; (iii) the percentage used to calculate the amount of  
6 credit earned; (iv) the amount of credit earned; and (v) such  
7 other information as the Department may reasonably require. A  
8 purchaser earning Manufacturer's Purchase Credit shall  
9 maintain records which identify, as to each purchase of  
10 manufacturing or graphic arts machinery and equipment on which  
11 the purchaser earned Manufacturer's Purchase Credit, the  
12 vendor (including, if applicable, either the vendor's  
13 registration number or Federal Employer Identification  
14 Number), the purchase price, and the amount of Manufacturer's  
15 Purchase Credit earned on each purchase.

16 A purchaser using Manufacturer's Purchase Credit shall  
17 sign and file an annual Report of Manufacturer's Purchase  
18 Credit Used for each calendar year no later than the last day  
19 of the sixth month following the calendar year in which a  
20 Manufacturer's Purchase Credit is used. A Report of  
21 Manufacturer's Purchase Credit Used shall be filed on forms as  
22 prescribed or approved by the Department and shall state, for  
23 each month of the calendar year: (i) the total purchase price  
24 of production related tangible personal property purchased  
25 from Illinois suppliers; (ii) the total purchase price of  
26 production related tangible personal property purchased from

1 out-of-state suppliers; (iii) the total amount of credit used  
2 during such month; and (iv) such other information as the  
3 Department may reasonably require. A purchaser using  
4 Manufacturer's Purchase Credit shall maintain records that  
5 identify, as to each purchase of production related tangible  
6 personal property on which the purchaser used Manufacturer's  
7 Purchase Credit, the vendor (including, if applicable, either  
8 the vendor's registration number or Federal Employer  
9 Identification Number), the purchase price, and the amount of  
10 Manufacturer's Purchase Credit used on each purchase.

11 No annual report shall be filed before May 1, 1996 or after  
12 June 30, 2004. A purchaser that fails to file an annual Report  
13 of Manufacturer's Purchase Credit Earned or an annual Report of  
14 Manufacturer's Purchase Credit Used by the last day of the  
15 sixth month following the end of the calendar year shall  
16 forfeit all Manufacturer's Purchase Credit for that calendar  
17 year unless it establishes that its failure to file was due to  
18 reasonable cause. Manufacturer's Purchase Credit reports may  
19 be amended to report and claim credit on qualifying purchases  
20 not previously reported at any time before the credit would  
21 have expired, unless both the Department and the purchaser have  
22 agreed to an extension of the statute of limitations for the  
23 issuance of a notice of tax liability as provided in Section 4  
24 of the Retailers' Occupation Tax Act. If the time for  
25 assessment or refund has been extended, then amended reports  
26 for a calendar year may be filed at any time prior to the date

1 to which the statute of limitations for the calendar year or  
2 portion thereof has been extended. No Manufacturer's Purchase  
3 Credit report filed with the Department for periods prior to  
4 January 1, 1995 shall be approved. Manufacturer's Purchase  
5 Credit claimed on an amended report may be used, prior to  
6 October 1, 2003, to satisfy tax liability under the Use Tax Act  
7 or the Service Use Tax Act (i) on qualifying purchases of  
8 production related tangible personal property made after the  
9 date the amended report is filed or (ii) assessed by the  
10 Department on qualifying purchases of production related  
11 tangible personal property made in the case of manufacturers on  
12 or after January 1, 1995, or in the case of graphic arts  
13 producers on or after July 1, 1996.

14 If the purchaser is not the manufacturer or a graphic arts  
15 producer, but rents or leases the use of the property to a  
16 manufacturer or a graphic arts producer, the purchaser may  
17 earn, report, and use Manufacturer's Purchase Credit in the  
18 same manner as a manufacturer or graphic arts producer.

19 A purchaser shall not be entitled to any Manufacturer's  
20 Purchase Credit for a purchase that is required to be reported  
21 and is not timely reported as provided in this Section. A  
22 purchaser remains liable for (i) any tax that was satisfied by  
23 use of a Manufacturer's Purchase Credit, as of the date of  
24 purchase, if that use is not timely reported as required in  
25 this Section and (ii) for any applicable penalties and interest  
26 for failing to pay the tax when due. No Manufacturer's Purchase

1 Credit may be used after September 30, 2003 to satisfy any tax  
2 liability imposed under this Act, including any audit  
3 liability.

4 (b) Manufacturer's Purchase Credit earned on and after  
5 September 1, 2004. This subsection (b) applies to  
6 Manufacturer's Purchase Credit earned on or after September 1,  
7 2004. Manufacturer's Purchase Credit earned on or after  
8 September 1, 2004 may only be used to satisfy the Use Tax or  
9 Service Use Tax liability incurred on production related  
10 tangible personal property purchased on or after September 1,  
11 2004. A purchaser of production related tangible personal  
12 property desiring to use the Manufacturer's Purchase Credit  
13 shall certify to the seller that the purchaser is satisfying  
14 all or part of the liability under the Use Tax Act or the  
15 Service Use Tax Act that is due on the purchase of the  
16 production related tangible personal property by use of a  
17 Manufacturer's Purchase Credit. The Manufacturer's Purchase  
18 Credit certification must be dated and shall include the name  
19 and address of the purchaser, the purchaser's registration  
20 number, if registered, the credit being applied, and a  
21 statement that the State Use Tax or Service Use Tax liability  
22 is being satisfied with the manufacturer's or graphic arts  
23 producer's accumulated purchase credit. Certification may be  
24 incorporated into the manufacturer's or graphic arts  
25 producer's purchase order. Manufacturer's Purchase Credit  
26 certification provided by the manufacturer or graphic arts

1 producer may be used to satisfy the retailer's or serviceman's  
2 liability under the Retailers' Occupation Tax Act or Service  
3 Occupation Tax Act for the credit claimed, not to exceed 6.25%  
4 of the receipts subject to tax from a qualifying purchase, but  
5 only if the retailer or serviceman reports the Manufacturer's  
6 Purchase Credit claimed as required by the Department. The  
7 Manufacturer's Purchase Credit earned by purchase of exempt  
8 manufacturing machinery and equipment or graphic arts  
9 machinery and equipment is a non-transferable credit. A  
10 manufacturer or graphic arts producer that enters into a  
11 contract involving the installation of tangible personal  
12 property into real estate within a manufacturing or graphic  
13 arts production facility may, on or after September 1, 2004,  
14 authorize a construction contractor to utilize credit  
15 accumulated by the manufacturer or graphic arts producer to  
16 purchase the tangible personal property. A manufacturer or  
17 graphic arts producer intending to use accumulated credit to  
18 purchase such tangible personal property shall execute a  
19 written contract authorizing the contractor to utilize a  
20 specified dollar amount of credit. The contractor shall furnish  
21 the supplier with the manufacturer's or graphic arts producer's  
22 name, registration or resale number, and a statement that a  
23 specific amount of the Use Tax or Service Use Tax liability,  
24 not to exceed 6.25% of the selling price, is being satisfied  
25 with the credit. The manufacturer or graphic arts producer  
26 shall remain liable to timely report all information required

1 by the annual Report of Manufacturer's Purchase Credit Used for  
2 credit utilized by a construction contractor.

3 The Manufacturer's Purchase Credit may be used to satisfy  
4 liability under the Use Tax Act or the Service Use Tax Act due  
5 on the purchase, made on or after September 1, 2004, of  
6 production related tangible personal property (including  
7 purchases by a manufacturer, by a graphic arts producer, or a  
8 lessor who rents or leases the use of the property to a  
9 manufacturer or graphic arts producer) that does not otherwise  
10 qualify for the manufacturing machinery and equipment  
11 exemption or the graphic arts machinery and equipment  
12 exemption. "Production related tangible personal property"  
13 means (i) all tangible personal property used or consumed by  
14 the purchaser in a manufacturing facility in which a  
15 manufacturing process described in Section 2-45 of the  
16 Retailers' Occupation Tax Act takes place, including tangible  
17 personal property purchased for incorporation into real estate  
18 within a manufacturing facility and including, but not limited  
19 to, tangible personal property used or consumed in activities  
20 such as pre-production material handling, receiving, quality  
21 control, inventory control, storage, staging, and packaging  
22 for shipping and transportation purposes; (ii) all tangible  
23 personal property used or consumed by the purchaser in a  
24 graphic arts facility in which graphic arts production as  
25 described in Section 2-30 of the Retailers' Occupation Tax Act  
26 takes place, including tangible personal property purchased

1 for incorporation into real estate within a graphic arts  
2 facility and including, but not limited to, all tangible  
3 personal property used or consumed in activities such as  
4 graphic arts preliminary or pre-press production,  
5 pre-production material handling, receiving, quality control,  
6 inventory control, storage, staging, sorting, labeling,  
7 mailing, tying, wrapping, and packaging; and (iii) all tangible  
8 personal property used or consumed by the purchaser for  
9 research and development. "Production related tangible  
10 personal property" does not include (i) tangible personal  
11 property used, within or without a manufacturing or graphic  
12 arts facility, in sales, purchasing, accounting, fiscal  
13 management, marketing, personnel recruitment or selection, or  
14 landscaping or (ii) tangible personal property required to be  
15 titled or registered with a department, agency, or unit of  
16 federal, state, or local government. The Manufacturer's  
17 Purchase Credit may be used to satisfy the tax arising either  
18 from the purchase of machinery and equipment on or after  
19 September 1, 2004 for which the manufacturing machinery and  
20 equipment exemption provided by Section 2 of this Act was  
21 erroneously claimed, or the purchase of machinery and equipment  
22 on or after September 1, 2004 for which the exemption provided  
23 by paragraph (5) of Section 3-5 of this Act was erroneously  
24 claimed, but not in satisfaction of penalty, if any, and  
25 interest for failure to pay the tax when due. A purchaser of  
26 production related tangible personal property that is



1 purchased on or after September 1, 2004 who is required to pay  
2 Illinois Use Tax or Service Use Tax on the purchase directly to  
3 the Department may utilize the Manufacturer's Purchase Credit  
4 in satisfaction of the tax arising from that purchase, but not  
5 in satisfaction of penalty and interest. A purchaser who uses  
6 the Manufacturer's Purchase Credit to purchase property on and  
7 after September 1, 2004 which is later determined not to be  
8 production related tangible personal property may be liable for  
9 tax, penalty, and interest on the purchase of that property as  
10 of the date of purchase but shall be entitled to use the  
11 disallowed Manufacturer's Purchase Credit, so long as it has  
12 not expired, on qualifying purchases of production related  
13 tangible personal property not previously subject to credit  
14 usage. The Manufacturer's Purchase Credit earned by a  
15 manufacturer or graphic arts producer expires the last day of  
16 the second calendar year following the calendar year in which  
17 the credit arose.

18 A purchaser earning Manufacturer's Purchase Credit shall  
19 sign and file an annual Report of Manufacturer's Purchase  
20 Credit Earned for each calendar year no later than the last day  
21 of the sixth month following the calendar year in which a  
22 Manufacturer's Purchase Credit is earned. A Report of  
23 Manufacturer's Purchase Credit Earned shall be filed on forms  
24 as prescribed or approved by the Department and shall state,  
25 for each month of the calendar year: (i) the total purchase  
26 price of all purchases of exempt manufacturing or graphic arts

1 machinery on which the credit was earned; (ii) the total State  
2 Use Tax or Service Use Tax which would have been due on those  
3 items; (iii) the percentage used to calculate the amount of  
4 credit earned; (iv) the amount of credit earned; and (v) such  
5 other information as the Department may reasonably require. A  
6 purchaser earning Manufacturer's Purchase Credit shall  
7 maintain records which identify, as to each purchase of  
8 manufacturing or graphic arts machinery and equipment on which  
9 the purchaser earned Manufacturer's Purchase Credit, the  
10 vendor (including, if applicable, either the vendor's  
11 registration number or Federal Employer Identification  
12 Number), the purchase price, and the amount of Manufacturer's  
13 Purchase Credit earned on each purchase.

14 A purchaser using Manufacturer's Purchase Credit shall  
15 sign and file an annual Report of Manufacturer's Purchase  
16 Credit Used for each calendar year no later than the last day  
17 of the sixth month following the calendar year in which a  
18 Manufacturer's Purchase Credit is used. A Report of  
19 Manufacturer's Purchase Credit Used shall be filed on forms as  
20 prescribed or approved by the Department and shall state, for  
21 each month of the calendar year: (i) the total purchase price  
22 of production related tangible personal property purchased  
23 from Illinois suppliers; (ii) the total purchase price of  
24 production related tangible personal property purchased from  
25 out-of-state suppliers; (iii) the total amount of credit used  
26 during such month; and (iv) such other information as the

1 Department may reasonably require. A purchaser using  
2 Manufacturer's Purchase Credit shall maintain records that  
3 identify, as to each purchase of production related tangible  
4 personal property on which the purchaser used Manufacturer's  
5 Purchase Credit, the vendor (including, if applicable, either  
6 the vendor's registration number or Federal Employer  
7 Identification Number), the purchase price, and the amount of  
8 Manufacturer's Purchase Credit used on each purchase.

9 A purchaser that fails to file an annual Report of  
10 Manufacturer's Purchase Credit Earned or an annual Report of  
11 Manufacturer's Purchase Credit Used by the last day of the  
12 sixth month following the end of the calendar year shall  
13 forfeit all Manufacturer's Purchase Credit for that calendar  
14 year unless it establishes that its failure to file was due to  
15 reasonable cause. Manufacturer's Purchase Credit reports may  
16 be amended to report and claim credit on qualifying purchases  
17 not previously reported at any time before the credit would  
18 have expired, unless both the Department and the purchaser have  
19 agreed to an extension of the statute of limitations for the  
20 issuance of a notice of tax liability as provided in Section 4  
21 of the Retailers' Occupation Tax Act. If the time for  
22 assessment or refund has been extended, then amended reports  
23 for a calendar year may be filed at any time prior to the date  
24 to which the statute of limitations for the calendar year or  
25 portion thereof has been extended. Manufacturer's Purchase  
26 Credit claimed on an amended report may be used to satisfy tax

1 liability under the Use Tax Act or the Service Use Tax Act (i)  
2 on qualifying purchases of production related tangible  
3 personal property made after the date the amended report is  
4 filed or (ii) assessed by the Department on qualifying  
5 production related tangible personal property purchased on or  
6 after September 1, 2004.

7 If the purchaser is not the manufacturer or a graphic arts  
8 producer, but rents or leases the use of the property to a  
9 manufacturer or a graphic arts producer, the purchaser may  
10 earn, report, and use Manufacturer's Purchase Credit in the  
11 same manner as a manufacturer or graphic arts producer. A  
12 purchaser shall not be entitled to any Manufacturer's Purchase  
13 Credit for a purchase that is required to be reported and is  
14 not timely reported as provided in this Section. A purchaser  
15 remains liable for (i) any tax that was satisfied by use of a  
16 Manufacturer's Purchase Credit, as of the date of purchase, if  
17 that use is not timely reported as required in this Section and  
18 (ii) for any applicable penalties and interest for failing to  
19 pay the tax when due.

20 This Section is exempt from the provisions of Section 3-75.

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

22 Section 15. The Service Occupation Tax Act is amended by  
23 changing Section 3-5 as follows:

24 (35 ILCS 115/3-5)

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

3           (1) 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           (2) Personal property purchased by a not-for-profit  
11 Illinois county fair association for use in conducting,  
12 operating, or promoting the county fair.

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

1 number issued by the Department.

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

6 (5) Until July 1, 2003, and beginning again on September 1,  
7 2004 through August 30, 2014, and beginning again on January 1,  
8 2017, graphic arts machinery and equipment, including repair  
9 and replacement parts, both new and used, and including that  
10 manufactured on special order or purchased for lease, certified  
11 by the purchaser to be used primarily for graphic arts  
12 production. Equipment includes chemicals or chemicals acting  
13 as catalysts but only if the chemicals or chemicals acting as  
14 catalysts effect a direct and immediate change upon a graphic  
15 arts product. and beginning again on January 1, 2017,

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

19 (7) 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  
25 implements of husbandry defined in Section 1-130 of the  
26 Illinois Vehicle Code, farm machinery and agricultural

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

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

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

1 provisions of Section 3-55.

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

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

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



1           (10) 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           (11) 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           (12) 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           (13) Beginning January 1, 1992 and through June 30, 2016,

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

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

15 (15) Horses, or interests in horses, registered with and  
16 meeting the requirements of any of the Arabian Horse Club  
17 Registry of America, Appaloosa Horse Club, American Quarter  
18 Horse Association, United States Trotting Association, or  
19 Jockey Club, as appropriate, used for purposes of breeding or  
20 racing for prizes. This item (15) is exempt from the provisions  
21 of Section 3-55, and the exemption provided for under this item  
22 (15) applies for all periods beginning May 30, 1995, but no  
23 claim for credit or refund is allowed on or after January 1,  
24 2008 (the effective date of Public Act 95-88) for such taxes  
25 paid during the period beginning May 30, 2000 and ending on  
26 January 1, 2008 (the effective date of Public Act 95-88).

1           (16) Computers and communications equipment utilized for  
2 any hospital purpose and equipment used in the diagnosis,  
3 analysis, or treatment of hospital patients sold to a lessor  
4 who leases the equipment, under a lease of one year or longer  
5 executed or in effect at the time of the purchase, to a  
6 hospital that has been issued an active tax exemption  
7 identification number by the Department under Section 1g of the  
8 Retailers' Occupation Tax Act.

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

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

25           (19) 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 used in the  
2 performance of infrastructure repairs in this State, including  
3 but not limited to municipal roads and streets, access roads,  
4 bridges, sidewalks, waste disposal systems, water and sewer  
5 line extensions, water distribution and purification  
6 facilities, storm water drainage and retention facilities, and  
7 sewage treatment facilities, resulting from a State or  
8 federally declared disaster in Illinois or bordering Illinois  
9 when such repairs are initiated on facilities located in the  
10 declared disaster area within 6 months after the disaster.

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

15 (21) A motor vehicle, as that term is defined in Section  
16 1-146 of the Illinois Vehicle Code, that is donated to a  
17 corporation, limited liability company, society, association,  
18 foundation, or institution that is determined by the Department  
19 to be organized and operated exclusively for educational  
20 purposes. For purposes of this exemption, "a corporation,  
21 limited liability company, society, association, foundation,  
22 or institution organized and operated exclusively for  
23 educational purposes" means all tax-supported public schools,  
24 private schools that offer systematic instruction in useful  
25 branches of learning by methods common to public schools and  
26 that compare favorably in their scope and intensity with the

1 course of study presented in tax-supported schools, and  
2 vocational or technical schools or institutes organized and  
3 operated exclusively to provide a course of study of not less  
4 than 6 weeks duration and designed to prepare individuals to  
5 follow a trade or to pursue a manual, technical, mechanical,  
6 industrial, business, or commercial occupation.

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

21 (23) Beginning January 1, 2000 and through December 31,  
22 2001, new or used automatic vending machines that prepare and  
23 serve hot food and beverages, including coffee, soup, and other  
24 items, and replacement parts for these machines. Beginning  
25 January 1, 2002 and through June 30, 2003, machines and parts  
26 for machines used in commercial, coin-operated amusement and

1 vending business if a use or occupation tax is paid on the  
2 gross receipts derived from the use of the commercial,  
3 coin-operated amusement and vending machines. This paragraph  
4 is exempt from the provisions of Section 3-55.

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

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

23 (26) Beginning on January 1, 2002 and through June 30,  
24 2016, tangible personal property purchased from an Illinois  
25 retailer by a taxpayer engaged in centralized purchasing  
26 activities in Illinois who will, upon receipt of the property

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

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

1           (28)    Tangible    personal    property    sold    to    a  
2   public-facilities   corporation,   as   described   in   Section  
3   11-65-10   of   the   Illinois   Municipal   Code,   for   purposes   of  
4   constructing   or   furnishing   a   municipal   convention   hall,   but  
5   only   if   the   legal   title   to   the   municipal   convention   hall   is  
6   transferred   to   the   municipality   without   any   further  
7   consideration   by   or   on   behalf   of   the   municipality   at   the   time  
8   of   the   completion   of   the   municipal   convention   hall   or   upon   the  
9   retirement   or   redemption   of   any   bonds   or   other   debt   instruments  
10   issued   by   the   public-facilities   corporation   in   connection   with  
11   the   development   of   the   municipal   convention   hall.   This  
12   exemption   includes   existing   public-facilities   corporations   as  
13   provided   in   Section   11-65-25   of   the   Illinois   Municipal   Code.  
14   This   paragraph   is   exempt   from   the   provisions   of   Section   3-55.

15           (29)    Beginning   January   1,   2010,   materials,   parts,  
16   equipment,   components,   and   furnishings   incorporated   into   or  
17   upon   an   aircraft   as   part   of   the   modification,   refurbishment,  
18   completion,   replacement,   repair,   or   maintenance   of   the  
19   aircraft.   This   exemption   includes   consumable   supplies   used   in  
20   the   modification,   refurbishment,   completion,   replacement,  
21   repair,   and   maintenance   of   aircraft,   but   excludes   any  
22   materials,   parts,   equipment,   components,   and   consumable  
23   supplies   used   in   the   modification,   replacement,   repair,   and  
24   maintenance   of   aircraft   engines   or   power   plants,   whether   such  
25   engines   or   power   plants   are   installed   or   uninstalled   upon   any  
26   such   aircraft.   "Consumable   supplies"   include,   but   are   not



1 limited to, adhesive, tape, sandpaper, general purpose  
2 lubricants, cleaning solution, latex gloves, and protective  
3 films. This exemption applies only to the transfer of  
4 qualifying tangible personal property incident to the  
5 modification, refurbishment, completion, replacement, repair,  
6 or maintenance of an aircraft by persons who (i) hold an Air  
7 Agency Certificate and are empowered to operate an approved  
8 repair station by the Federal Aviation Administration, (ii)  
9 have a Class IV Rating, and (iii) conduct operations in  
10 accordance with Part 145 of the Federal Aviation Regulations.  
11 The exemption does not include aircraft operated by a  
12 commercial air carrier providing scheduled passenger air  
13 service pursuant to authority issued under Part 121 or Part 129  
14 of the Federal Aviation Regulations. The changes made to this  
15 paragraph (29) by Public Act 98-534 are declarative of existing  
16 law.

17 (30) Beginning January 1, 2017, menstrual pads, tampons,  
18 and menstrual cups.

19 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
20 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.  
21 7-16-14; 99-180, eff. 7-29-15; 99-855, eff. 8-19-16.)

22 Section 20. The Retailers' Occupation Tax Act is amended by  
23 changing Section 2-5 as follows:

24 (35 ILCS 120/2-5)

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

4           (1) Farm chemicals.

5           (2) 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 (2). Agricultural chemical tender tanks and dry boxes  
20 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 (2) is exempt from the  
13 provisions of Section 2-70.

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

20 (4) Until July 1, 2003, and beginning again September 1,  
21 2004 through August 30, 2014, and beginning again on January 1,  
22 2017, graphic arts machinery and equipment, including repair  
23 and replacement parts, both new and used, and including that  
24 manufactured on special order or purchased for lease, certified  
25 by the purchaser to be used primarily for graphic arts  
26 production. Equipment includes chemicals or chemicals acting

1 as catalysts but only if the chemicals or chemicals acting as  
2 catalysts effect a direct and immediate change upon a graphic  
3 arts product. This item (4) is exempt from the provisions of  
4 Section 2-70.

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

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

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

14 (8) Personal property sold to an Illinois county fair  
15 association for use in conducting, operating, or promoting the  
16 county fair.

17 (9) Personal property sold to a not-for-profit arts or  
18 cultural organization that establishes, by proof required by  
19 the Department by rule, that it has received an exemption under  
20 Section 501(c)(3) of the Internal Revenue Code and that is  
21 organized and operated primarily for the presentation or  
22 support of arts or cultural programming, activities, or  
23 services. These organizations include, but are not limited to,  
24 music and dramatic arts organizations such as symphony  
25 orchestras and theatrical groups, arts and cultural service  
26 organizations, local arts councils, visual arts organizations,

1 and media arts organizations. On and after the effective date  
2 of this amendatory Act of the 92nd General Assembly, however,  
3 an entity otherwise eligible for this exemption shall not make  
4 tax-free purchases unless it has an active identification  
5 number issued by the Department.

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

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

1           (12) Tangible personal property sold to interstate  
2 carriers for hire for use as rolling stock moving in interstate  
3 commerce or to lessors under leases of one year or longer  
4 executed or in effect at the time of purchase by interstate  
5 carriers for hire for use as rolling stock moving in interstate  
6 commerce and equipment operated by a telecommunications  
7 provider, licensed as a common carrier by the Federal  
8 Communications Commission, which is permanently installed in  
9 or affixed to aircraft moving in interstate commerce.

10           (12-5) On and after July 1, 2003 and through June 30, 2004,  
11 motor vehicles of the second division with a gross vehicle  
12 weight in excess of 8,000 pounds that are subject to the  
13 commercial distribution fee imposed under Section 3-815.1 of  
14 the Illinois Vehicle Code. Beginning on July 1, 2004 and  
15 through June 30, 2005, the use in this State of motor vehicles  
16 of the second division: (i) with a gross vehicle weight rating  
17 in excess of 8,000 pounds; (ii) that are subject to the  
18 commercial distribution fee imposed under Section 3-815.1 of  
19 the Illinois Vehicle Code; and (iii) that are primarily used  
20 for commercial purposes. Through June 30, 2005, this exemption  
21 applies to repair and replacement parts added after the initial  
22 purchase of such a motor vehicle if that motor vehicle is used  
23 in a manner that would qualify for the rolling stock exemption  
24 otherwise provided for in this Act. For purposes of this  
25 paragraph, "used for commercial purposes" means the  
26 transportation of persons or property in furtherance of any

1 commercial or industrial enterprise whether for-hire or not.

2 (13) Proceeds from sales to owners, lessors, or shippers of  
3 tangible personal property that is utilized by interstate  
4 carriers for hire for use as rolling stock moving in interstate  
5 commerce and equipment operated by a telecommunications  
6 provider, licensed as a common carrier by the Federal  
7 Communications Commission, which is permanently installed in  
8 or affixed to aircraft moving in interstate commerce.

9 (14) Machinery and equipment that will be used by the  
10 purchaser, or a lessee of the purchaser, primarily in the  
11 process of manufacturing or assembling tangible personal  
12 property for wholesale or retail sale or lease, whether the  
13 sale or lease is made directly by the manufacturer or by some  
14 other person, whether the materials used in the process are  
15 owned by the manufacturer or some other person, or whether the  
16 sale or lease is made apart from or as an incident to the  
17 seller's engaging in the service occupation of producing  
18 machines, tools, dies, jigs, patterns, gauges, or other similar  
19 items of no commercial value on special order for a particular  
20 purchaser. The exemption provided by this paragraph (14) does  
21 not include machinery and equipment used in (i) the generation  
22 of electricity for wholesale or retail sale; (ii) the  
23 generation or treatment of natural or artificial gas for  
24 wholesale or retail sale that is delivered to customers through  
25 pipes, 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.

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

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

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

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

26 (19) Until July 1 2003, oil field exploration, drilling,



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

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

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

25 (22) Until June 30, 2013, fuel and petroleum products sold  
26 to or used by an air carrier, certified by the carrier to be

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

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

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

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

26 (25) Except as provided in item (25-5) of this Section, a

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

12 (25-5) The exemption under item (25) does not apply if the  
13 state in which the motor vehicle will be titled does not allow  
14 a reciprocal exemption for a motor vehicle sold and delivered  
15 in that state to an Illinois resident but titled in Illinois.  
16 The tax collected under this Act on the sale of a motor vehicle  
17 in this State to a resident of another state that does not  
18 allow a reciprocal exemption shall be imposed at a rate equal  
19 to the state's rate of tax on taxable property in the state in  
20 which the purchaser is a resident, except that the tax shall  
21 not exceed the tax that would otherwise be imposed under this  
22 Act. At the time of the sale, the purchaser shall execute a  
23 statement, signed under penalty of perjury, of his or her  
24 intent to title the vehicle in the state in which the purchaser  
25 is a resident within 30 days after the sale and of the fact of  
26 the payment to the State of Illinois of tax in an amount

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

14 (25-7) Beginning on July 1, 2007, no tax is imposed under  
15 this Act on the sale of an aircraft, as defined in Section 3 of  
16 the Illinois Aeronautics Act, if all of the following  
17 conditions are met:

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

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

26 (3) the seller retains in his or her books and records

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

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

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

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

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

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

23 (27) 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 (27) is exempt from the provisions  
3 of Section 2-70, and the exemption provided for under this item  
4 (27) 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 (the effective date of Public Act 95-88) for such taxes  
7 paid during the period beginning May 30, 2000 and ending on  
8 January 1, 2008 (the effective date of Public Act 95-88).

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

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

22 (30) 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 donated for  
25 disaster relief to be used in a State or federally declared  
26 disaster area in Illinois or bordering Illinois by a

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

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

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

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

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

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



1 exempt from the provisions of Section 2-70.

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

12 (35-5) Beginning August 23, 2001 and through June 30, 2016,  
13 food for human consumption that is to be consumed off the  
14 premises where it is sold (other than alcoholic beverages, soft  
15 drinks, and food that has been prepared for immediate  
16 consumption) and prescription and nonprescription medicines,  
17 drugs, medical appliances, and insulin, urine testing  
18 materials, syringes, and needles used by diabetics, for human  
19 use, when purchased for use by a person receiving medical  
20 assistance under Article V of the Illinois Public Aid Code who  
21 resides in a licensed long-term care facility, as defined in  
22 the Nursing Home Care Act, or a licensed facility as defined in  
23 the ID/DD Community Care Act, the MC/DD Act, or the Specialized  
24 Mental Health Rehabilitation Act of 2013.

25 (36) Beginning August 2, 2001, computers and  
26 communications equipment utilized for any hospital purpose and

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

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

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

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

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

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

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

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

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

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

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

14 Section 99. Effective date. This Act takes effect upon  
15 becoming law.