

1 AN ACT concerning taxation.

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
5 Section 3-5 as follows:

6 (35 ILCS 105/3-5) (from Ch. 120, par. 439.3-5)

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

1 exemption shall not make tax-free purchases unless it has an
2 active identification number issued by the Department.

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

18 (5) A passenger car that is a replacement vehicle to the
19 extent that the purchase price of the car is subject to the
20 Replacement Vehicle Tax.

21 (6) Graphic arts machinery and equipment, including
22 repair and replacement parts, both new and used, and
23 including that manufactured on special order, certified by
24 the purchaser to be used primarily for graphic arts
25 production, and including machinery and equipment purchased
26 for lease. Equipment includes chemicals or chemicals acting
27 as catalysts but only if the chemicals or chemicals acting as
28 catalysts effect a direct and immediate change upon a graphic
29 arts product.

30 (7) Farm chemicals.

31 (8) Legal tender, currency, medallions, or gold or
32 silver coinage issued by the State of Illinois, the
33 government of the United States of America, or the government
34 of any foreign country, and bullion.

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

4 (10) A motor vehicle of the first division, a motor
5 vehicle of the second division that is a self-contained motor
6 vehicle designed or permanently converted to provide living
7 quarters for recreational, camping, or travel use, with
8 direct walk through to the living quarters from the driver's
9 seat, or a motor vehicle of the second division that is of
10 the van configuration designed for the transportation of not
11 less than 7 nor more than 16 passengers, as defined in
12 Section 1-146 of the Illinois Vehicle Code, that is used for
13 automobile renting, as defined in the Automobile Renting
14 Occupation and Use Tax Act.

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

34 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,
4 seeders, or spreaders. Precision farming equipment includes,
5 but is not limited to, soil testing sensors, computers,
6 monitors, software, global positioning and mapping systems,
7 and other such equipment.

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

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

23 (13) Proceeds of mandatory service charges separately
24 stated on customers' bills for the purchase and consumption
25 of food and beverages purchased at retail from a retailer, to
26 the extent that the proceeds of the service charge are in
27 fact turned over as tips or as a substitute for tips to the
28 employees who participate directly in preparing, serving,
29 hosting or cleaning up the food or beverage function with
30 respect to which the service charge is imposed.

31 (14) Oil field exploration, drilling, and production
32 equipment, including (i) rigs and parts of rigs, rotary rigs,
33 cable tool rigs, and workover rigs, (ii) pipe and tubular
34 goods, including casing and drill strings, (iii) pumps and

1 pump-jack units, (iv) storage tanks and flow lines, (v) any
2 individual replacement part for oil field exploration,
3 drilling, and production equipment, and (vi) machinery and
4 equipment purchased for lease; but excluding motor vehicles
5 required to be registered under the Illinois Vehicle Code.

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

12 (16) Coal exploration, mining, offhighway hauling,
13 processing, maintenance, and reclamation equipment, including
14 replacement parts and equipment, and including equipment
15 purchased for lease, but excluding motor vehicles required to
16 be registered under the Illinois Vehicle Code.

17 (17) Distillation machinery and equipment, sold as a
18 unit or kit, assembled or installed by the retailer,
19 certified by the user to be used only for the production of
20 ethyl alcohol that will be used for consumption as motor fuel
21 or as a component of motor fuel for the personal use of the
22 user, and not subject to sale or resale.

23 (18) Manufacturing and assembling machinery and
24 equipment used primarily in the process of manufacturing or
25 assembling tangible personal property for wholesale or retail
26 sale or lease, whether that sale or lease is made directly by
27 the manufacturer or by some other person, whether the
28 materials used in the process are owned by the manufacturer
29 or some other person, or whether that sale or lease is made
30 apart from or as an incident to the seller's engaging in the
31 service occupation of producing machines, tools, dies, jigs,
32 patterns, gauges, or other similar items of no commercial
33 value on special order for a particular purchaser.

34 (19) Personal property delivered to a purchaser or

1 purchaser's donee inside Illinois when the purchase order for
2 that personal property was received by a florist located
3 outside Illinois who has a florist located inside Illinois
4 deliver the personal property.

5 (20) Semen used for artificial insemination of livestock
6 for direct agricultural production.

7 (21) Horses, or interests in horses, registered with and
8 meeting the requirements of any of the Arabian Horse Club
9 Registry of America, Appaloosa Horse Club, American Quarter
10 Horse Association, United States Trotting Association, or
11 Jockey Club, as appropriate, used for purposes of breeding or
12 racing for prizes.

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

1 lessor is liable to pay that amount to the Department.

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

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

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

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

12 (26) Beginning July 1, 1999, game or game birds
13 purchased at a "game breeding and hunting preserve area" or
14 an "exotic game hunting area" as those terms are used in the
15 Wildlife Code or at a hunting enclosure approved through
16 rules adopted by the Department of Natural Resources. This
17 paragraph is exempt from the provisions of Section 3-90.

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

1 technical, mechanical, industrial, business, or commercial
2 occupation.

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

17 (29) Beginning January 1, 2000 and through December 31,
18 2001, new or used automatic vending machines that prepare and
19 serve hot food and beverages, including coffee, soup, and
20 other items, and replacement parts for these machines.
21 Beginning January 1, 2002, machines and parts for machines
22 used in commercial, coin-operated amusement and vending
23 business if a use or occupation tax is paid on the gross
24 receipts derived from the use of the commercial,
25 coin-operated amusement and vending machines. This paragraph
26 is exempt from the provisions of Section 3-90.

27 (30) Food for human consumption that is to be consumed
28 off the premises where it is sold (other than alcoholic
29 beverages, soft drinks, and food that has been prepared for
30 immediate consumption) and prescription and nonprescription
31 medicines, drugs, medical appliances, and insulin, urine
32 testing materials, syringes, and needles used by diabetics,
33 for human use, when purchased for use by a person receiving
34 medical assistance under Article 5 of the Illinois Public Aid

1 Code who resides in a licensed long-term care facility, as
2 defined in the Nursing Home Care Act.

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

29 (32) Beginning on the effective date of this amendatory
30 Act of the 92nd General Assembly, personal property purchased
31 by a lessor who leases the property, under a lease of one
32 year or longer executed or in effect at the time the lessor
33 would otherwise be subject to the tax imposed by this Act, to
34 a governmental body that has been issued an active sales tax

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

18 (33) Beginning January 1, 2004, tangible personal
 19 property and its component parts purchased by a
 20 telecommunications carrier if the property and parts are used
 21 directly and primarily in transmitting, receiving, switching,
 22 or recording any interactive, two-way electromagnetic
 23 communications, including voice, image, data, and
 24 information, through the use of any medium, including, but
 25 not limited to, poles, wires, cables, switching equipment,
 26 computers, and record storage devices and media. This
 27 paragraph is exempt from the provisions of Section 3-90.

28 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
 29 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644, eff.
 30 8-20-99; 91-901, eff. 1-1-01; 92-35, eff. 7-1-01; 92-227,
 31 eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff. 8-23-01;
 32 92-651, eff. 7-11-02.)

33 Section 10. The Service Use Tax Act is amended by

1 changing Section 3-5 as follows:

2 (35 ILCS 110/3-5) (from Ch. 120, par. 439.33-5)

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

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

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

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

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

1 (5) Graphic arts machinery and equipment, including
2 repair and replacement parts, both new and used, and
3 including that manufactured on special order or purchased for
4 lease, certified by the purchaser to be used primarily for
5 graphic arts production. Equipment includes chemicals or
6 chemicals acting as catalysts but only if the chemicals or
7 chemicals acting as catalysts effect a direct and immediate
8 change upon a graphic arts product.

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

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

31 Farm machinery and equipment shall include precision
32 farming equipment that is installed or purchased to be
33 installed on farm machinery and equipment including, but not
34 limited to, tractors, harvesters, sprayers, planters,

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

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

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

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

29 (10) Oil field exploration, drilling, and production
30 equipment, including (i) rigs and parts of rigs, rotary rigs,
31 cable tool rigs, and workover rigs, (ii) pipe and tubular
32 goods, including casing and drill strings, (iii) pumps and
33 pump-jack units, (iv) storage tanks and flow lines, (v) any
34 individual replacement part for oil field exploration,

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

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

10 (12) Coal exploration, mining, offhighway hauling,
11 processing, maintenance, and reclamation equipment, including
12 replacement parts and equipment, and including equipment
13 purchased for lease, but excluding motor vehicles required to
14 be registered under the Illinois Vehicle Code.

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

17 (14) Horses, or interests in horses, registered with and
18 meeting the requirements of any of the Arabian Horse Club
19 Registry of America, Appaloosa Horse Club, American Quarter
20 Horse Association, United States Trotting Association, or
21 Jockey Club, as appropriate, used for purposes of breeding or
22 racing for prizes.

23 (15) 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
27 longer executed or in effect at the time the lessor would
28 otherwise be subject to the tax imposed by this Act, to a
29 hospital that has been issued an active tax exemption
30 identification number by the Department under Section 1g of
31 the Retailers' Occupation Tax Act. If the equipment is leased
32 in a manner that does not qualify for this exemption or is
33 used in any other non-exempt manner, the lessor shall be
34 liable for the tax imposed under this Act or the Use Tax Act,

1 as the case may be, based on the fair market value of the
2 property at the time the non-qualifying use occurs. No
3 lessor shall collect or attempt to collect an amount (however
4 designated) that purports to reimburse that lessor for the
5 tax imposed by this Act or the Use Tax Act, as the case may
6 be, if the tax has not been paid by the lessor. If a lessor
7 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
11 to pay that amount to the Department.

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

33 (17) Beginning with taxable years ending on or after
34 December 31, 1995 and ending with taxable years ending on or

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

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

22 (19) Beginning July 1, 1999, game or game birds
23 purchased at a "game breeding and hunting preserve area" or
24 an "exotic game hunting area" as those terms are used in the
25 Wildlife Code or at a hunting enclosure approved through
26 rules adopted by the Department of Natural Resources. This
27 paragraph is exempt from the provisions of Section 3-75.

28 (20) A motor vehicle, as that term is defined in Section
29 1-146 of the Illinois Vehicle Code, that is donated to a
30 corporation, limited liability company, society, association,
31 foundation, or institution that is determined by the
32 Department to be organized and operated exclusively for
33 educational purposes. For purposes of this exemption, "a
34 corporation, limited liability company, society, association,

1 foundation, or institution organized and operated exclusively
2 for educational purposes" means all tax-supported public
3 schools, private schools that offer systematic instruction in
4 useful branches of learning by methods common to public
5 schools and that compare favorably in their scope and
6 intensity with the course of study presented in tax-supported
7 schools, and vocational or technical schools or institutes
8 organized and operated exclusively to provide a course of
9 study of not less than 6 weeks duration and designed to
10 prepare individuals to follow a trade or to pursue a manual,
11 technical, mechanical, industrial, business, or commercial
12 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
16 school, a group of those schools, or one or more school
17 districts if the events are sponsored by an entity recognized
18 by the school district that consists primarily of volunteers
19 and includes parents and teachers of the school children.
20 This paragraph does not apply to fundraising events (i) for
21 the benefit of private home instruction or (ii) for which the
22 fundraising entity purchases the personal property sold at
23 the events from another individual or entity that sold the
24 property for the purpose of resale by the fundraising entity
25 and that profits from the sale to the fundraising entity.
26 This paragraph is exempt from the provisions of Section 3-75.

27 (22) Beginning January 1, 2000 and through December 31,
28 2001, new or used automatic vending machines that prepare and
29 serve hot food and beverages, including coffee, soup, and
30 other items, and replacement parts for these machines.
31 Beginning January 1, 2002, machines and parts for machines
32 used in commercial, coin-operated amusement and vending
33 business if a use or occupation tax is paid on the gross
34 receipts derived from the use of the commercial,

1 coin-operated amusement and vending machines. This paragraph
2 is exempt from the provisions of Section 3-75.

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

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

1 however, that amount is not refunded to the lessee for any
2 reason, the lessor is liable to pay that amount to the
3 Department. This paragraph is exempt from the provisions of
4 Section 3-75.

5 (25) Beginning on the effective date of this amendatory
6 Act of the 92nd General Assembly, personal property purchased
7 by a lessor who leases the property, under a lease of one
8 year or longer executed or in effect at the time the lessor
9 would otherwise be subject to the tax imposed by this Act, to
10 a governmental body that has been issued an active tax
11 exemption identification number by the Department under
12 Section 1g of the Retailers' Occupation Tax Act. If the
13 property is leased in a manner that does not qualify for this
14 exemption or is used in any other nonexempt manner, the
15 lessor shall be liable for the tax imposed under this Act or
16 the Use Tax Act, as the case may be, based on the fair market
17 value of the property at the time the nonqualifying use
18 occurs. No lessor shall collect or attempt to collect an
19 amount (however designated) that purports to reimburse that
20 lessor for the tax imposed by this Act or the Use Tax Act, as
21 the case may be, if the tax has not been paid by the lessor.
22 If a lessor improperly collects any such amount from the
23 lessee, the lessee shall have a legal right to claim a refund
24 of that amount from the lessor. If, however, that amount is
25 not refunded to the lessee for any reason, the lessor is
26 liable to pay that amount to the Department. This paragraph
27 is exempt from the provisions of Section 3-75.

28 (26) Beginning January 1, 2004, tangible personal
29 property and its component parts purchased by a
30 telecommunications carrier if the property and parts are used
31 directly and primarily in transmitting, receiving, switching,
32 or recording any interactive, two-way electromagnetic
33 communications, including voice, image, data, and
34 information, through the use of any medium, including, but

1 not limited to, poles, wires, cables, switching equipment,
2 computers, and record storage devices and media. This
3 paragraph is exempt from the provisions of Section 3-75.

4 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
5 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644, eff.
6 8-20-99; 92-16, eff. 6-28-01; 92-35, eff. 7-1-01; 92-227,
7 eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff. 8-23-01;
8 92-651, eff. 7-11-02.)

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

11 (35 ILCS 115/3-5) (from Ch. 120, par. 439.103-5)

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

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

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

24 (3) Personal property purchased by any not-for-profit
25 arts or cultural organization that establishes, by proof
26 required by the Department by rule, that it has received an
27 exemption under Section 501(c)(3) of the Internal Revenue
28 Code and that is organized and operated primarily for the
29 presentation or support of arts or cultural programming,
30 activities, or services. These organizations include, but
31 are not limited to, music and dramatic arts organizations
32 such as symphony orchestras and theatrical groups, arts and

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

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

11 (5) Graphic arts machinery and equipment, including
12 repair and replacement parts, both new and used, and
13 including that manufactured on special order or purchased for
14 lease, certified by the purchaser to be used primarily for
15 graphic arts production. Equipment includes chemicals or
16 chemicals acting as catalysts but only if the chemicals or
17 chemicals acting as catalysts effect a direct and immediate
18 change upon a graphic arts product.

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

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

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

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

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

23 (8) Fuel and petroleum products sold to or used by an
24 air common carrier, certified by the carrier to be used for
25 consumption, shipment, or storage in the conduct of its
26 business as an air common carrier, for a flight destined for
27 or returning from a location or locations outside the United
28 States without regard to previous or subsequent domestic
29 stopovers.

30 (9) Proceeds of mandatory service charges separately
31 stated on customers' bills for the purchase and consumption
32 of food and beverages, to the extent that the proceeds of the
33 service charge are in fact turned over as tips or as a
34 substitute for tips to the employees who participate directly

1 in preparing, serving, hosting or cleaning up the food or
2 beverage function with respect to which the service charge is
3 imposed.

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

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

19 (12) Coal exploration, mining, offhighway hauling,
20 processing, maintenance, and reclamation equipment, including
21 replacement parts and equipment, and including equipment
22 purchased for lease, but excluding motor vehicles required to
23 be registered under the Illinois Vehicle Code.

24 (13) Food for human consumption that is to be consumed
25 off the premises where it is sold (other than alcoholic
26 beverages, soft drinks and food that has been prepared for
27 immediate consumption) and prescription and non-prescription
28 medicines, drugs, medical appliances, and insulin, urine
29 testing materials, syringes, and needles used by diabetics,
30 for human use, when purchased for use by a person receiving
31 medical assistance under Article 5 of the Illinois Public Aid
32 Code who resides in a licensed long-term care facility, as
33 defined in the Nursing Home Care Act.

34 (14) Semen used for artificial insemination of livestock

1 for direct agricultural production.

2 (15) Horses, or interests in horses, registered with and
3 meeting the requirements of any of the Arabian Horse Club
4 Registry of America, Appaloosa Horse Club, American Quarter
5 Horse Association, United States Trotting Association, or
6 Jockey Club, as appropriate, used for purposes of breeding or
7 racing for prizes.

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

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

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

32 (19) Beginning with taxable years ending on or after
33 December 31, 1995 and ending with taxable years ending on or
34 before December 31, 2004, personal property that is used in

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

11 (20) Beginning July 1, 1999, game or game birds sold at
12 a "game breeding and hunting preserve area" or an "exotic
13 game hunting area" as those terms are used in the Wildlife
14 Code or at a hunting enclosure approved through rules adopted
15 by the Department of Natural Resources. This paragraph is
16 exempt from the provisions of Section 3-55.

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

1 occupation.

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

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

26 (24) Beginning on the effective date of this amendatory
27 Act of the 92nd General Assembly, computers and
28 communications equipment utilized for any hospital purpose
29 and equipment used in the diagnosis, analysis, or treatment
30 of hospital patients sold to a lessor who leases the
31 equipment, under a lease of one year or longer executed or in
32 effect at the time of the purchase, to a hospital that has
33 been issued an active tax exemption identification number by
34 the Department under Section 1g of the Retailers' Occupation

1 Tax Act. This paragraph is exempt from the provisions of
2 Section 3-55.

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

11 (26) Beginning on January 1, 2002, tangible personal
12 property purchased from an Illinois retailer by a taxpayer
13 engaged in centralized purchasing activities in Illinois who
14 will, upon receipt of the property in Illinois, temporarily
15 store the property in Illinois (i) for the purpose of
16 subsequently transporting it outside this State for use or
17 consumption thereafter solely outside this State or (ii) for
18 the purpose of being processed, fabricated, or manufactured
19 into, attached to, or incorporated into other tangible
20 personal property to be transported outside this State and
21 thereafter used or consumed solely outside this State. The
22 Director of Revenue shall, pursuant to rules adopted in
23 accordance with the Illinois Administrative Procedure Act,
24 issue a permit to any taxpayer in good standing with the
25 Department who is eligible for the exemption under this
26 paragraph (26). The permit issued under this paragraph (26)
27 shall authorize the holder, to the extent and in the manner
28 specified in the rules adopted under this Act, to purchase
29 tangible personal property from a retailer exempt from the
30 taxes imposed by this Act. Taxpayers shall maintain all
31 necessary books and records to substantiate the use and
32 consumption of all such tangible personal property outside of
33 the State of Illinois.

34 (27) Beginning January 1, 2004, tangible personal

1 property and its component parts purchased by a
 2 telecommunications carrier if the property and parts are used
 3 directly and primarily in transmitting, receiving, switching,
 4 or recording any interactive, two-way electromagnetic
 5 communications, including voice, image, data, and
 6 information, through the use of any medium, including, but
 7 not limited to, poles, wires, cables, switching equipment,
 8 computers, and record storage devices and media. This
 9 paragraph is exempt from the provisions of Section 3-55.

10 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
 11 91-439, eff. 8-6-99; 91-533, eff. 8-13-99; 91-637, eff.
 12 8-20-99; 91-644, eff. 8-20-99; 92-16, eff. 6-28-01; 92-35,
 13 eff. 7-1-01; 92-227, eff. 8-2-01; 92-337, eff. 8-10-01;
 14 92-484, eff. 8-23-01; 92-488, eff. 8-23-01; 92-651, eff.
 15 7-11-02.)

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

18 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

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

22 (1) Farm chemicals.

23 (2) Farm machinery and equipment, both new and used,
 24 including that manufactured on special order, certified by
 25 the purchaser to be used primarily for production agriculture
 26 or State or federal agricultural programs, including
 27 individual replacement parts for the machinery and equipment,
 28 including machinery and equipment purchased for lease, and
 29 including implements of husbandry defined in Section 1-130 of
 30 the Illinois Vehicle Code, farm machinery and agricultural
 31 chemical and fertilizer spreaders, and nurse wagons required
 32 to be registered under Section 3-809 of the Illinois Vehicle

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

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

18 Farm machinery and equipment also includes computers,
19 sensors, software, and related equipment used primarily in
20 the computer-assisted operation of production agriculture
21 facilities, equipment, and activities such as, but not
22 limited to, the collection, monitoring, and correlation of
23 animal and crop data for the purpose of formulating animal
24 diets and agricultural chemicals. This item (7) is exempt
25 from the provisions of Section 2-70.

26 (3) Distillation machinery and equipment, sold as a unit
27 or kit, assembled or installed by the retailer, certified by
28 the user to be used only for the production of ethyl alcohol
29 that will be used for consumption as motor fuel or as a
30 component of motor fuel for the personal use of the user, and
31 not subject to sale or resale.

32 (4) Graphic arts machinery and equipment, including
33 repair and replacement parts, both new and used, and
34 including that manufactured on special order or purchased for

1 lease, certified by the purchaser to be used primarily for
2 graphic arts production. Equipment includes chemicals or
3 chemicals acting as catalysts but only if the chemicals or
4 chemicals acting as catalysts effect a direct and immediate
5 change upon a graphic arts product.

6 (5) A motor vehicle of the first division, a motor
7 vehicle of the second division that is a self-contained motor
8 vehicle designed or permanently converted to provide living
9 quarters for recreational, camping, or travel use, with
10 direct walk through access to the living quarters from the
11 driver's seat, or a motor vehicle of the second division that
12 is of the van configuration designed for the transportation
13 of not less than 7 nor more than 16 passengers, as defined in
14 Section 1-146 of the Illinois Vehicle Code, that is used for
15 automobile renting, as defined in the Automobile Renting
16 Occupation and Use Tax Act.

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

20 (7) Proceeds of that portion of the selling price of a
21 passenger car the sale of which is subject to the Replacement
22 Vehicle Tax.

23 (8) Personal property sold to an Illinois county fair
24 association for use in conducting, operating, or promoting
25 the county fair.

26 (9) Personal property sold to a not-for-profit arts or
27 cultural organization that establishes, by proof required by
28 the Department by rule, that it has received an exemption
29 under Section 501(c)(3) of the Internal Revenue Code and that
30 is organized and operated primarily for the presentation or
31 support of arts or cultural programming, activities, or
32 services. These organizations include, but are not limited
33 to, music and dramatic arts organizations such as symphony
34 orchestras and theatrical groups, arts and cultural service

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

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

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

28 (12) Personal property sold to interstate carriers for
29 hire for use as rolling stock moving in interstate commerce
30 or to lessors under leases of one year or longer executed or
31 in effect at the time of purchase by interstate carriers for
32 hire for use as rolling stock moving in interstate commerce
33 and equipment operated by a telecommunications provider,
34 licensed as a common carrier by the Federal Communications

1 Commission, which is permanently installed in or affixed to
2 aircraft moving in interstate commerce.

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

11 (14) Machinery and equipment that will be used by the
12 purchaser, or a lessee of the purchaser, primarily in the
13 process of manufacturing or assembling tangible personal
14 property for wholesale or retail sale or lease, whether the
15 sale or lease is made directly by the manufacturer or by some
16 other person, whether the materials used in the process are
17 owned by the manufacturer or some other person, or whether
18 the sale or lease is made apart from or as an incident to the
19 seller's engaging in the service occupation of producing
20 machines, tools, dies, jigs, patterns, gauges, or other
21 similar items of no commercial value on special order for a
22 particular purchaser.

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

31 (16) Petroleum products sold to a purchaser if the
32 seller is prohibited by federal law from charging tax to the
33 purchaser.

34 (17) Tangible personal property sold to a common carrier

1 by rail or motor that receives the physical possession of the
2 property in Illinois and that transports the property, or
3 shares with another common carrier in the transportation of
4 the property, out of Illinois on a standard uniform bill of
5 lading showing the seller of the property as the shipper or
6 consignor of the property to a destination outside Illinois,
7 for use outside Illinois.

8 (18) Legal tender, currency, medallions, or gold or
9 silver coinage issued by the State of Illinois, the
10 government of the United States of America, or the government
11 of any foreign country, and bullion.

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

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

27 (21) Coal exploration, mining, offhighway hauling,
28 processing, maintenance, and reclamation equipment, including
29 replacement parts and equipment, and including equipment
30 purchased for lease, but excluding motor vehicles required to
31 be registered under the Illinois Vehicle Code.

32 (22) Fuel and petroleum products sold to or used by an
33 air carrier, certified by the carrier to be used for
34 consumption, shipment, or storage in the conduct of its

1 business as an air common carrier, for a flight destined for
2 or returning from a location or locations outside the United
3 States without regard to previous or subsequent domestic
4 stopovers.

5 (23) A transaction in which the purchase order is
6 received by a florist who is located outside Illinois, but
7 who has a florist located in Illinois deliver the property to
8 the purchaser or the purchaser's donee in Illinois.

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

15 (25) A motor vehicle sold in this State to a nonresident
16 even though the motor vehicle is delivered to the nonresident
17 in this State, if the motor vehicle is not to be titled in
18 this State, and if a drive-away permit is issued to the motor
19 vehicle as provided in Section 3-603 of the Illinois Vehicle
20 Code or if the nonresident purchaser has vehicle registration
21 plates to transfer to the motor vehicle upon returning to his
22 or her home state. The issuance of the drive-away permit or
23 having the out-of-state registration plates to be transferred
24 is prima facie evidence that the motor vehicle will not be
25 titled in this State.

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

28 (27) Horses, or interests in horses, registered with and
29 meeting the requirements of any of the Arabian Horse Club
30 Registry of America, Appaloosa Horse Club, American Quarter
31 Horse Association, United States Trotting Association, or
32 Jockey Club, as appropriate, used for purposes of breeding or
33 racing for prizes.

34 (28) Computers and communications equipment utilized for

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

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

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

23 (31) Beginning with taxable years ending on or after
24 December 31, 1995 and ending with taxable years ending on or
25 before December 31, 2004, personal property that is used in
26 the performance of infrastructure repairs in this State,
27 including but not limited to municipal roads and streets,
28 access roads, bridges, sidewalks, waste disposal systems,
29 water and sewer line extensions, water distribution and
30 purification facilities, storm water drainage and retention
31 facilities, and sewage treatment facilities, resulting from a
32 State or federally declared disaster in Illinois or bordering
33 Illinois when such repairs are initiated on facilities
34 located in the declared disaster area within 6 months after

1 the disaster.

2 (32) Beginning July 1, 1999, game or game birds sold at
3 a "game breeding and hunting preserve area" or an "exotic
4 game hunting area" as those terms are used in the Wildlife
5 Code or at a hunting enclosure approved through rules adopted
6 by the Department of Natural Resources. This paragraph is
7 exempt from the provisions of Section 2-70.

8 (33) A motor vehicle, as that term is defined in Section
9 1-146 of the Illinois Vehicle Code, that is donated to a
10 corporation, limited liability company, society, association,
11 foundation, or institution that is determined by the
12 Department to be organized and operated exclusively for
13 educational purposes. For purposes of this exemption, "a
14 corporation, limited liability company, society, association,
15 foundation, or institution organized and operated exclusively
16 for educational purposes" means all tax-supported public
17 schools, private schools that offer systematic instruction in
18 useful branches of learning by methods common to public
19 schools and that compare favorably in their scope and
20 intensity with the course of study presented in tax-supported
21 schools, and vocational or technical schools or institutes
22 organized and operated exclusively to provide a course of
23 study of not less than 6 weeks duration and designed to
24 prepare individuals to follow a trade or to pursue a manual,
25 technical, mechanical, industrial, business, or commercial
26 occupation.

27 (34) Beginning January 1, 2000, personal property,
28 including food, purchased through fundraising events for the
29 benefit of a public or private elementary or secondary
30 school, a group of those schools, or one or more school
31 districts if the events are sponsored by an entity recognized
32 by the school district that consists primarily of volunteers
33 and includes parents and teachers of the school children.
34 This paragraph does not apply to fundraising events (i) for

1 the benefit of private home instruction or (ii) for which the
2 fundraising entity purchases the personal property sold at
3 the events from another individual or entity that sold the
4 property for the purpose of resale by the fundraising entity
5 and that profits from the sale to the fundraising entity.
6 This paragraph is exempt from the provisions of Section 2-70.

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

17 (35-5) ~~(36)~~ Food for human consumption that is to be
18 consumed off the premises where it is sold (other than
19 alcoholic beverages, soft drinks, and food that has been
20 prepared for immediate consumption) and prescription and
21 nonprescription medicines, drugs, medical appliances, and
22 insulin, urine testing materials, syringes, and needles used
23 by diabetics, for human use, when purchased for use by a
24 person receiving medical assistance under Article 5 of the
25 Illinois Public Aid Code who resides in a licensed long-term
26 care facility, as defined in the Nursing Home Care Act.

27 (36) Beginning on the effective date of this amendatory
28 Act of the 92nd General Assembly, computers and
29 communications equipment utilized for any hospital purpose
30 and equipment used in the diagnosis, analysis, or treatment
31 of hospital patients sold to a lessor who leases the
32 equipment, under a lease of one year or longer executed or in
33 effect at the time of the purchase, to a hospital that has
34 been issued an active tax exemption identification number by

1 the Department under Section 1g of this Act. This paragraph
2 is exempt from the provisions of Section 2-70.

3 (37) Beginning on the effective date of this amendatory
4 Act of the 92nd General Assembly, personal property sold to a
5 lessor who leases the property, under a lease of one year or
6 longer executed or in effect at the time of the purchase, to
7 a governmental body that has been issued an active tax
8 exemption identification number by the Department under
9 Section 1g of this Act. This paragraph is exempt from the
10 provisions of Section 2-70.

11 (38) Beginning on January 1, 2002, tangible personal
12 property purchased from an Illinois retailer by a taxpayer
13 engaged in centralized purchasing activities in Illinois who
14 will, upon receipt of the property in Illinois, temporarily
15 store the property in Illinois (i) for the purpose of
16 subsequently transporting it outside this State for use or
17 consumption thereafter solely outside this State or (ii) for
18 the purpose of being processed, fabricated, or manufactured
19 into, attached to, or incorporated into other tangible
20 personal property to be transported outside this State and
21 thereafter used or consumed solely outside this State. The
22 Director of Revenue shall, pursuant to rules adopted in
23 accordance with the Illinois Administrative Procedure Act,
24 issue a permit to any taxpayer in good standing with the
25 Department who is eligible for the exemption under this
26 paragraph (38). The permit issued under this paragraph (38)
27 shall authorize the holder, to the extent and in the manner
28 specified in the rules adopted under this Act, to purchase
29 tangible personal property from a retailer exempt from the
30 taxes imposed by this Act. Taxpayers shall maintain all
31 necessary books and records to substantiate the use and
32 consumption of all such tangible personal property outside of
33 the State of Illinois.

34 (39) Beginning January 1, 2004, tangible personal

1 property and its component parts purchased by a
 2 telecommunications carrier if the property and parts are used
 3 directly and primarily in transmitting, receiving, switching,
 4 or recording any interactive, two-way electromagnetic
 5 communications, including voice, image, data, and
 6 information, through the use of any medium, including, but
 7 not limited to, poles, wires, cables, switching equipment,
 8 computers, and record storage devices and media. This
 9 paragraph is exempt from the provisions of Section 2-70.

10 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
 11 91-439, eff. 8-6-99; 91-533, eff. 8-13-99; 91-637, eff.
 12 8-20-99; 91-644, eff. 8-20-99; 92-16, eff. 6-28-01; 92-35,
 13 eff. 7-1-01; 92-227, eff. 8-2-01; 92-337, eff. 8-10-01;
 14 92-484, eff. 8-23-01; 92-488, eff. 8-23-01; 92-651, eff.
 15 7-11-02; 92-680, eff. 7-16-02; revised 12-02-02.)

16 Section 90. The State Mandates Act is amended by adding
 17 Section 8.27 as follows:

18 (30 ILCS 805/8.27 new)

19 Sec. 8.27. Exempt mandate. Notwithstanding Sections 6
 20 and 8 of this Act, no reimbursement by the State is required
 21 for the implementation of any mandate created by this
 22 amendatory Act of the 93rd General Assembly.

23 Section 99. Effective date. This Act takes effect upon
 24 becoming law.