



Sen. Toi W. Hutchinson

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1 AMENDMENT TO SENATE BILL 9

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 9 by replacing  
3 everything after the enacting clause with the following:

4 "ARTICLE 5. BUDGET ECONOMIC STABILIZATION FUND ACT

5 Section 5-1. Short title. This Act may be cited as the  
6 Budget Economic Stabilization Fund Act.

7 Section 5-5. Legislative intent.

8 The General Assembly finds that, in order to restore  
9 Illinois' fiscal health, retaining a share of above-trend State  
10 revenues for future needs and for reducing the need for new  
11 taxes or increasing any rate of tax or otherwise modifying the  
12 tax structure, including the elimination or modification of  
13 deductions, exclusions, or exemptions, is a priority.

14 Section 5-10. Definitions. As used in this Act:

1 "Above-trend revenues" means general funds revenue  
2 collections that exceed 2.4% of the prior fiscal year's general  
3 funds revenue collections.

4 "General funds" means the General Revenue Fund, the Common  
5 School Fund, the Education Assistance Fund, and the General  
6 Revenue Common School Special Account Fund.

7 "General funds revenue collections" means, for each fiscal  
8 year, all gross personal and corporate income taxes, other  
9 taxes, fees, and other revenues expected to be deposited into  
10 the State's general funds and recurring transfers into general  
11 funds from the State Lottery and gaming, but does not include  
12 other transfers and federal funds.

13 "Unpaid bills" means: pending vouchers approved for  
14 payment but not paid as of December 31st for each fiscal year  
15 by the Office of the Comptroller; pending transfers required by  
16 State statute that have been recorded but have not been paid  
17 from the General Revenue Fund, Common School Fund, or Education  
18 Assistance Fund; and all vouchers for invoices that have been  
19 certified as a proper bill, as defined by the State Prompt  
20 Payment Act, by the Departments of Healthcare and Family  
21 Services, Central Management Services, Human Services,  
22 Revenue, and Aging but not yet approved by the Comptroller as  
23 of December 31st of each fiscal year from the General Revenue  
24 Fund, Common School Fund, Education Assistance Fund, Health  
25 Insurance Fund, Income Tax Refund Fund, and Healthcare Provider  
26 Relief Fund.

1           Section 5-15. Certification of the backlog of bills. The  
2 amount of unpaid bills shall be reported by the Comptroller and  
3 the Departments of Healthcare and Family Services, Central  
4 Management Services, Human Services, Revenue, and Aging to the  
5 Governor's Office of Management and Budget no later than  
6 January 10th of each year. By January 15th of each year, the  
7 Governor's Office of Management and Budget shall notify the  
8 Comptroller, Treasurer, the Speaker and Minority Leader of the  
9 House, and the President and Minority Leader of the Senate of  
10 the total amount of unpaid bills as of the preceding December  
11 31st.

12           Section 5-20. Payment of unpaid bills. If unpaid bills  
13 total more than \$1,000,000,000, the Governor shall include in  
14 his or her budget for the next fiscal year an amount to pay  
15 unpaid bills equal to the lesser of (i) 50% of above-trend  
16 revenues that the Governor projects to be received by the State  
17 in the next fiscal year or (ii) the amount of above-trend  
18 revenues needed to reduce the unpaid bills to \$1,000,000,000.  
19 This amount to pay off unpaid bills shall be included in the  
20 Governor's budget as an appropriation to the Bill Backlog  
21 Payment Fund from the General Revenue Fund. Nothing in this Act  
22 prohibits the Governor from including in his or her budget, or  
23 the General Assembly from appropriating, additional moneys for  
24 the payment of unpaid bills. If for any reason the

1 appropriations enacted are insufficient to meet the payment of  
2 unpaid bills required to be included in the Governor's budget  
3 under this Section, then there is hereby appropriated, on a  
4 continuing annual basis in each fiscal year, from the General  
5 Revenue Fund, the amounts necessary for this payment.

6 Section 5-25. Transfers into the Budget Economic  
7 Stabilization Fund.

8 (a) If unpaid bills total less than \$1,000,000,000 the  
9 Governor shall include in his or her budget for the next fiscal  
10 year at least 50% of any above-trend revenues that the Governor  
11 projects to be received in the next fiscal year for deposit to  
12 the Budget Economic Stabilization Fund as an appropriation from  
13 the General Revenue Fund. Except as provided in subsection (b)  
14 of this Section, if for any reason the appropriations enacted  
15 are insufficient to make the deposit required by this Section,  
16 then this Section shall constitute a continuing appropriation  
17 from the General Revenue Fund of all amounts necessary for this  
18 deposit.

19 (b) If the balance of the Budget Economic Stabilization  
20 Fund at the beginning of the next fiscal year is projected by  
21 the Governor to exceed 5% of the general funds revenue  
22 collections estimated for the next fiscal year, transfers into  
23 the Budget Economic Stabilization Fund are not required for  
24 that fiscal year.

1           Section    5-30.    Withdrawal    from    Budget    Economic  
2    Stabilization Fund.

3           (a) Upon the direction of the Governor at any time within a  
4    fiscal year and within the limitations set forth in this  
5    Section, the Comptroller and the Treasurer shall transfer the  
6    amounts designated by the Governor from the Budget Economic  
7    Stabilization Fund to general funds as specified by the  
8    Governor. The transfer shall be made as soon as practicable on  
9    or after the 30th day after the Governor has provided written  
10   notice of his or her direction to transfer to the Clerk of the  
11   House of Representatives, the Secretary of the Senate, and the  
12   Index Department of the Office of the Secretary of State, with  
13   copies of the notice provided to the Comptroller and Treasurer.  
14   The notice shall be published on the website of the Governor's  
15   Office of Management and Budget. The amount directed to be  
16   transferred may not exceed the limits set forth in subsection  
17   (c) of this Section. The Governor may direct a transfer from  
18   the Budget Economic Stabilization Fund to any of the general  
19   funds only if: he or she estimates that general funds revenue  
20   collections for the current fiscal year will be less than the  
21   general funds revenue collections as estimated at the time of  
22   enactment of appropriations for the current fiscal year; the  
23   transfer is necessary to provide for the health, safety, and  
24   welfare of the people of the State of Illinois; and the funds  
25   transferred are to be spent within previously enacted  
26   appropriations.

1 (b) In addition to transfers directed by the Governor  
2 within a fiscal year, transfers or appropriations from the  
3 Budget Economic Stabilization Fund for the current or next  
4 fiscal year may be made by vote of the General Assembly if:

5 (1) the General Assembly projects that general funds  
6 revenue collections for the current or next fiscal year are  
7 less than the general funds revenue collections as  
8 estimated at the time of enactment of appropriations for  
9 the current fiscal year for the preceding year;

10 (2) the General Assembly finds that general funds  
11 revenue collections have remained stagnant or dropped  
12 during 2 consecutive fiscal quarters within the preceding  
13 12 months as compared to the corresponding 2 fiscal  
14 quarters of the prior fiscal year; or

15 (3) that the State Coincident Index for the State of  
16 Illinois has remained stagnant or dropped over 2  
17 consecutive quarters within the preceding 12 months, as  
18 published in the Federal Reserve Bank of Philadelphia's  
19 publication entitled "State Coincident Indexes" or its  
20 successor publication.

21 (c) Transfers or appropriations from the Budget Economic  
22 Stabilization Fund may not, during any fiscal year, exceed the  
23 lesser of:

24 (1) 50% of the Budget Economic Stabilization Fund's  
25 balance;

26 (2) in the case of appropriation enacted by the General

1 Assembly, 50% of the difference between (i) general funds  
2 revenue collections, as projected by the Commission on  
3 Government Forecasting and Accountability to be received  
4 in the next fiscal year, and (ii) a revised general fund  
5 revenue collections projection for the current fiscal year  
6 presented to the General Assembly by the Commission on  
7 Government Forecasting and Accountability; or

8 (3) in the case of transfers to be directed by the  
9 Governor within a fiscal year, 50% of the difference  
10 between (i) general funds revenue collections, to be  
11 received in the next fiscal year as projected by the  
12 Governor, and (ii) a revised general fund revenue  
13 collections projection for the current fiscal year as  
14 projected by the Governor.

15 Section 5-35. Fund creation.

16 (a) There is created the Budget Economic Stabilization Fund  
17 as a special fund in the State Treasury consisting of moneys  
18 appropriated or transferred to that Fund as provided in Section  
19 5-30 of this Act and as otherwise provided by law. All earnings  
20 on Budget Economic Stabilization Fund investments shall be  
21 deposited into that Fund.

22 (b) There is created the Bill Backlog Payment Fund as a  
23 special fund in the State Treasury consisting of moneys  
24 appropriated or transferred to that Fund as provided in Section  
25 -25 of this Act and as otherwise provided by law. All earnings

1 on Bill Backlog Payment Fund investments shall be deposited  
2 into that Fund.

3 ARTICLE 30. AMENDATORY PROVISIONS

4 Section 30-5. The State Finance Act is amended by changing  
5 Section 6z-51 and by adding Sections 5.878 and 5.879 as  
6 follows:

7 (30 ILCS 105/5.878 new)

8 Sec. 5.878. The Budget Economic Stabilization Fund.

9 (30 ILCS 105/5.879 new)

10 Sec. 5.879. The Bill Backlog Payment Fund.

11 (30 ILCS 105/6z-51)

12 Sec. 6z-51. Budget Stabilization Fund.

13 (a) The Budget Stabilization Fund, a special fund in the  
14 State Treasury, shall consist of moneys appropriated or  
15 transferred to that Fund, as provided in Section 6z-43 and as  
16 otherwise provided by law. All earnings on Budget Stabilization  
17 Fund investments shall be deposited into that Fund.

18 (b) Until an initial transfer has been made to the Budget  
19 Economic Stabilization Fund under Section 5-30 of the Budget  
20 Economic Stabilization Fund Act, the ~~The~~ State Comptroller may  
21 direct the State Treasurer to transfer moneys from the Budget



1 Stabilization Fund to the General Revenue Fund in order to meet  
2 cash flow deficits resulting from timing variations between  
3 disbursements and the receipt of funds within a fiscal year.  
4 Any moneys so borrowed in any fiscal year other than Fiscal  
5 Year 2011 shall be repaid by June 30 of the fiscal year in  
6 which they were borrowed. Any moneys so borrowed in Fiscal Year  
7 2011 shall be repaid no later than July 15, 2011.

8 (c) During Fiscal Year 2017 only, amounts may be expended  
9 from the Budget Stabilization Fund only pursuant to specific  
10 authorization by appropriation. Any moneys expended pursuant  
11 to appropriation shall not be subject to repayment.

12 (Source: P.A. 99-523, eff. 6-30-16.)

13 Section 30-10. The Illinois Income Tax Act is amended by  
14 changing Sections 201, 203, 212, 222, 804, 901, and 1501 and by  
15 adding Sections 201.7 and 225 as follows:

16 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

17 Sec. 201. Tax Imposed.

18 (a) In general. A tax measured by net income is hereby  
19 imposed on every individual, corporation, trust and estate for  
20 each taxable year ending after July 31, 1969 on the privilege  
21 of earning or receiving income in or as a resident of this  
22 State. Such tax shall be in addition to all other occupation or  
23 privilege taxes imposed by this State or by any municipal  
24 corporation or political subdivision thereof.

1 (b) Rates. The tax imposed by subsection (a) of this  
2 Section shall be determined as follows, except as adjusted by  
3 subsection (d-1):

4 (1) In the case of an individual, trust or estate, for  
5 taxable years ending prior to July 1, 1989, an amount equal  
6 to 2 1/2% of the taxpayer's net income for the taxable  
7 year.

8 (2) In the case of an individual, trust or estate, for  
9 taxable years beginning prior to July 1, 1989 and ending  
10 after June 30, 1989, an amount equal to the sum of (i) 2  
11 1/2% of the taxpayer's net income for the period prior to  
12 July 1, 1989, as calculated under Section 202.3, and (ii)  
13 3% of the taxpayer's net income for the period after June  
14 30, 1989, as calculated under Section 202.3.

15 (3) In the case of an individual, trust or estate, for  
16 taxable years beginning after June 30, 1989, and ending  
17 prior to January 1, 2011, an amount equal to 3% of the  
18 taxpayer's net income for the taxable year.

19 (4) In the case of an individual, trust, or estate, for  
20 taxable years beginning prior to January 1, 2011, and  
21 ending after December 31, 2010, an amount equal to the sum  
22 of (i) 3% of the taxpayer's net income for the period prior  
23 to January 1, 2011, as calculated under Section 202.5, and  
24 (ii) 5% of the taxpayer's net income for the period after  
25 December 31, 2010, as calculated under Section 202.5.

26 (5) In the case of an individual, trust, or estate, for

1 taxable years beginning on or after January 1, 2011, and  
2 ending prior to January 1, 2015, an amount equal to 5% of  
3 the taxpayer's net income for the taxable year.

4 (5.1) In the case of an individual, trust, or estate,  
5 for taxable years beginning prior to January 1, 2015, and  
6 ending after December 31, 2014, an amount equal to the sum  
7 of (i) 5% of the taxpayer's net income for the period prior  
8 to January 1, 2015, as calculated under Section 202.5, and  
9 (ii) 3.75% of the taxpayer's net income for the period  
10 after December 31, 2014, as calculated under Section 202.5.

11 (5.2) In the case of an individual, trust, or estate,  
12 for taxable years beginning on or after January 1, 2015,  
13 and ending prior to January 1, 2017 ~~January 1, 2025~~, an  
14 amount equal to 3.75% of the taxpayer's net income for the  
15 taxable year.

16 (5.3) In the case of an individual, trust, or estate,  
17 for taxable years beginning prior to January 1, 2017  
18 ~~January 1, 2025~~, and ending after December 31, 2016  
19 ~~December 31, 2024~~, an amount equal to the sum of (i) 3.75%  
20 of the taxpayer's net income for the period prior to  
21 January 1, 2017 ~~January 1, 2025~~, as calculated under  
22 Section 202.5, and (ii) 4.99% ~~3.25%~~ of the taxpayer's net  
23 income for the period after December 31, 2016 ~~December 31,~~  
24 ~~2024~~, as calculated under Section 202.5.

25 (5.4) In the case of an individual, trust, or estate,  
26 for taxable years beginning on or after January 1, 2017

1 ~~January 1, 2025~~, an amount equal to 4.99% ~~3.25%~~ of the  
2 taxpayer's net income for the taxable year.

3 (6) In the case of a corporation, for taxable years  
4 ending prior to July 1, 1989, an amount equal to 4% of the  
5 taxpayer's net income for the taxable year.

6 (7) In the case of a corporation, for taxable years  
7 beginning prior to July 1, 1989 and ending after June 30,  
8 1989, an amount equal to the sum of (i) 4% of the  
9 taxpayer's net income for the period prior to July 1, 1989,  
10 as calculated under Section 202.3, and (ii) 4.8% of the  
11 taxpayer's net income for the period after June 30, 1989,  
12 as calculated under Section 202.3.

13 (8) In the case of a corporation, for taxable years  
14 beginning after June 30, 1989, and ending prior to January  
15 1, 2011, an amount equal to 4.8% of the taxpayer's net  
16 income for the taxable year.

17 (9) In the case of a corporation, for taxable years  
18 beginning prior to January 1, 2011, and ending after  
19 December 31, 2010, an amount equal to the sum of (i) 4.8%  
20 of the taxpayer's net income for the period prior to  
21 January 1, 2011, as calculated under Section 202.5, and  
22 (ii) 7% of the taxpayer's net income for the period after  
23 December 31, 2010, as calculated under Section 202.5.

24 (10) In the case of a corporation, for taxable years  
25 beginning on or after January 1, 2011, and ending prior to  
26 January 1, 2015, an amount equal to 7% of the taxpayer's

1 net income for the taxable year.

2 (11) In the case of a corporation, for taxable years  
3 beginning prior to January 1, 2015, and ending after  
4 December 31, 2014, an amount equal to the sum of (i) 7% of  
5 the taxpayer's net income for the period prior to January  
6 1, 2015, as calculated under Section 202.5, and (ii) 5.25%  
7 of the taxpayer's net income for the period after December  
8 31, 2014, as calculated under Section 202.5.

9 (12) In the case of a corporation, for taxable years  
10 beginning on or after January 1, 2015, and ending prior to  
11 January 1, 2017 ~~January 1, 2025~~, an amount equal to 5.25%  
12 of the taxpayer's net income for the taxable year.

13 (13) In the case of a corporation, for taxable years  
14 beginning prior to January 1, 2017 ~~January 1, 2025~~, and  
15 ending after December 31, 2016 ~~December 31, 2024~~, an amount  
16 equal to the sum of (i) 5.25% of the taxpayer's net income  
17 for the period prior to January 1, 2017 ~~January 1, 2025~~, as  
18 calculated under Section 202.5, and (ii) 7% ~~4.8%~~ of the  
19 taxpayer's net income for the period after December 31,  
20 2016 ~~December 31, 2024~~, as calculated under Section 202.5.

21 (14) In the case of a corporation, for taxable years  
22 beginning on or after January 1, 2017 ~~January 1, 2025~~, an  
23 amount equal to 7% ~~4.8%~~ of the taxpayer's net income for  
24 the taxable year.

25 The rates under this subsection (b) are subject to the  
26 provisions of Section 201.5.

1           (c) Personal Property Tax Replacement Income Tax.  
2 Beginning on July 1, 1979 and thereafter, in addition to such  
3 income tax, there is also hereby imposed the Personal Property  
4 Tax Replacement Income Tax measured by net income on every  
5 corporation (including Subchapter S corporations), partnership  
6 and trust, for each taxable year ending after June 30, 1979.  
7 Such taxes are imposed on the privilege of earning or receiving  
8 income in or as a resident of this State. The Personal Property  
9 Tax Replacement Income Tax shall be in addition to the income  
10 tax imposed by subsections (a) and (b) of this Section and in  
11 addition to all other occupation or privilege taxes imposed by  
12 this State or by any municipal corporation or political  
13 subdivision thereof.

14           (d) Additional Personal Property Tax Replacement Income  
15 Tax Rates. The personal property tax replacement income tax  
16 imposed by this subsection and subsection (c) of this Section  
17 in the case of a corporation, other than a Subchapter S  
18 corporation and except as adjusted by subsection (d-1), shall  
19 be an additional amount equal to 2.85% of such taxpayer's net  
20 income for the taxable year, except that beginning on January  
21 1, 1981, and thereafter, the rate of 2.85% specified in this  
22 subsection shall be reduced to 2.5%, and in the case of a  
23 partnership, trust or a Subchapter S corporation shall be an  
24 additional amount equal to 1.5% of such taxpayer's net income  
25 for the taxable year.

26           (d-1) Rate reduction for certain foreign insurers. In the

1 case of a foreign insurer, as defined by Section 35A-5 of the  
2 Illinois Insurance Code, whose state or country of domicile  
3 imposes on insurers domiciled in Illinois a retaliatory tax  
4 (excluding any insurer whose premiums from reinsurance assumed  
5 are 50% or more of its total insurance premiums as determined  
6 under paragraph (2) of subsection (b) of Section 304, except  
7 that for purposes of this determination premiums from  
8 reinsurance do not include premiums from inter-affiliate  
9 reinsurance arrangements), beginning with taxable years ending  
10 on or after December 31, 1999, the sum of the rates of tax  
11 imposed by subsections (b) and (d) shall be reduced (but not  
12 increased) to the rate at which the total amount of tax imposed  
13 under this Act, net of all credits allowed under this Act,  
14 shall equal (i) the total amount of tax that would be imposed  
15 on the foreign insurer's net income allocable to Illinois for  
16 the taxable year by such foreign insurer's state or country of  
17 domicile if that net income were subject to all income taxes  
18 and taxes measured by net income imposed by such foreign  
19 insurer's state or country of domicile, net of all credits  
20 allowed or (ii) a rate of zero if no such tax is imposed on such  
21 income by the foreign insurer's state of domicile. For the  
22 purposes of this subsection (d-1), an inter-affiliate includes  
23 a mutual insurer under common management.

24 (1) For the purposes of subsection (d-1), in no event  
25 shall the sum of the rates of tax imposed by subsections  
26 (b) and (d) be reduced below the rate at which the sum of:

1 (A) the total amount of tax imposed on such foreign  
2 insurer under this Act for a taxable year, net of all  
3 credits allowed under this Act, plus

4 (B) the privilege tax imposed by Section 409 of the  
5 Illinois Insurance Code, the fire insurance company  
6 tax imposed by Section 12 of the Fire Investigation  
7 Act, and the fire department taxes imposed under  
8 Section 11-10-1 of the Illinois Municipal Code,  
9 equals 1.25% for taxable years ending prior to December 31,  
10 2003, or 1.75% for taxable years ending on or after  
11 December 31, 2003, of the net taxable premiums written for  
12 the taxable year, as described by subsection (1) of Section  
13 409 of the Illinois Insurance Code. This paragraph will in  
14 no event increase the rates imposed under subsections (b)  
15 and (d).

16 (2) Any reduction in the rates of tax imposed by this  
17 subsection shall be applied first against the rates imposed  
18 by subsection (b) and only after the tax imposed by  
19 subsection (a) net of all credits allowed under this  
20 Section other than the credit allowed under subsection (i)  
21 has been reduced to zero, against the rates imposed by  
22 subsection (d).

23 This subsection (d-1) is exempt from the provisions of  
24 Section 250.

25 (e) Investment credit. A taxpayer shall be allowed a credit  
26 against the Personal Property Tax Replacement Income Tax for



1 investment in qualified property.

2 (1) A taxpayer shall be allowed a credit equal to .5%  
3 of the basis of qualified property placed in service during  
4 the taxable year, provided such property is placed in  
5 service on or after July 1, 1984. There shall be allowed an  
6 additional credit equal to .5% of the basis of qualified  
7 property placed in service during the taxable year,  
8 provided such property is placed in service on or after  
9 July 1, 1986, and the taxpayer's base employment within  
10 Illinois has increased by 1% or more over the preceding  
11 year as determined by the taxpayer's employment records  
12 filed with the Illinois Department of Employment Security.  
13 Taxpayers who are new to Illinois shall be deemed to have  
14 met the 1% growth in base employment for the first year in  
15 which they file employment records with the Illinois  
16 Department of Employment Security. The provisions added to  
17 this Section by Public Act 85-1200 (and restored by Public  
18 Act 87-895) shall be construed as declaratory of existing  
19 law and not as a new enactment. If, in any year, the  
20 increase in base employment within Illinois over the  
21 preceding year is less than 1%, the additional credit shall  
22 be limited to that percentage times a fraction, the  
23 numerator of which is .5% and the denominator of which is  
24 1%, but shall not exceed .5%. The investment credit shall  
25 not be allowed to the extent that it would reduce a  
26 taxpayer's liability in any tax year below zero, nor may

1 any credit for qualified property be allowed for any year  
2 other than the year in which the property was placed in  
3 service in Illinois. For tax years ending on or after  
4 December 31, 1987, and on or before December 31, 1988, the  
5 credit shall be allowed for the tax year in which the  
6 property is placed in service, or, if the amount of the  
7 credit exceeds the tax liability for that year, whether it  
8 exceeds the original liability or the liability as later  
9 amended, such excess may be carried forward and applied to  
10 the tax liability of the 5 taxable years following the  
11 excess credit years if the taxpayer (i) makes investments  
12 which cause the creation of a minimum of 2,000 full-time  
13 equivalent jobs in Illinois, (ii) is located in an  
14 enterprise zone established pursuant to the Illinois  
15 Enterprise Zone Act and (iii) is certified by the  
16 Department of Commerce and Community Affairs (now  
17 Department of Commerce and Economic Opportunity) as  
18 complying with the requirements specified in clause (i) and  
19 (ii) by July 1, 1986. The Department of Commerce and  
20 Community Affairs (now Department of Commerce and Economic  
21 Opportunity) shall notify the Department of Revenue of all  
22 such certifications immediately. For tax years ending  
23 after December 31, 1988, the credit shall be allowed for  
24 the tax year in which the property is placed in service,  
25 or, if the amount of the credit exceeds the tax liability  
26 for that year, whether it exceeds the original liability or

1 the liability as later amended, such excess may be carried  
2 forward and applied to the tax liability of the 5 taxable  
3 years following the excess credit years. The credit shall  
4 be applied to the earliest year for which there is a  
5 liability. If there is credit from more than one tax year  
6 that is available to offset a liability, earlier credit  
7 shall be applied first.

8 (2) The term "qualified property" means property  
9 which:

10 (A) is tangible, whether new or used, including  
11 buildings and structural components of buildings and  
12 signs that are real property, but not including land or  
13 improvements to real property that are not a structural  
14 component of a building such as landscaping, sewer  
15 lines, local access roads, fencing, parking lots, and  
16 other appurtenances;

17 (B) is depreciable pursuant to Section 167 of the  
18 Internal Revenue Code, except that "3-year property"  
19 as defined in Section 168(c)(2)(A) of that Code is not  
20 eligible for the credit provided by this subsection  
21 (e);

22 (C) is acquired by purchase as defined in Section  
23 179(d) of the Internal Revenue Code;

24 (D) is used in Illinois by a taxpayer who is  
25 primarily engaged in manufacturing, or in mining coal  
26 or fluorite, or in retailing, or was placed in service

1           on or after July 1, 2006 in a River Edge Redevelopment  
2           Zone established pursuant to the River Edge  
3           Redevelopment Zone Act; and

4           (E) has not previously been used in Illinois in  
5           such a manner and by such a person as would qualify for  
6           the credit provided by this subsection (e) or  
7           subsection (f).

8           (3) For purposes of this subsection (e),  
9           "manufacturing" means the material staging and production  
10          of tangible personal property by procedures commonly  
11          regarded as manufacturing, processing, fabrication, or  
12          assembling which changes some existing material into new  
13          shapes, new qualities, or new combinations. For purposes of  
14          this subsection (e) the term "mining" shall have the same  
15          meaning as the term "mining" in Section 613(c) of the  
16          Internal Revenue Code. For purposes of this subsection (e),  
17          the term "retailing" means the sale of tangible personal  
18          property for use or consumption and not for resale, or  
19          services rendered in conjunction with the sale of tangible  
20          personal property for use or consumption and not for  
21          resale. For purposes of this subsection (e), "tangible  
22          personal property" has the same meaning as when that term  
23          is used in the Retailers' Occupation Tax Act, and, for  
24          taxable years ending after December 31, 2008, does not  
25          include the generation, transmission, or distribution of  
26          electricity.

1           (4) The basis of qualified property shall be the basis  
2 used to compute the depreciation deduction for federal  
3 income tax purposes.

4           (5) If the basis of the property for federal income tax  
5 depreciation purposes is increased after it has been placed  
6 in service in Illinois by the taxpayer, the amount of such  
7 increase shall be deemed property placed in service on the  
8 date of such increase in basis.

9           (6) The term "placed in service" shall have the same  
10 meaning as under Section 46 of the Internal Revenue Code.

11           (7) If during any taxable year, any property ceases to  
12 be qualified property in the hands of the taxpayer within  
13 48 months after being placed in service, or the situs of  
14 any qualified property is moved outside Illinois within 48  
15 months after being placed in service, the Personal Property  
16 Tax Replacement Income Tax for such taxable year shall be  
17 increased. Such increase shall be determined by (i)  
18 recomputing the investment credit which would have been  
19 allowed for the year in which credit for such property was  
20 originally allowed by eliminating such property from such  
21 computation and, (ii) subtracting such recomputed credit  
22 from the amount of credit previously allowed. For the  
23 purposes of this paragraph (7), a reduction of the basis of  
24 qualified property resulting from a redetermination of the  
25 purchase price shall be deemed a disposition of qualified  
26 property to the extent of such reduction.

1           (8) Unless the investment credit is extended by law,  
2           the basis of qualified property shall not include costs  
3           incurred after December 31, 2018, except for costs incurred  
4           pursuant to a binding contract entered into on or before  
5           December 31, 2018.

6           (9) Each taxable year ending before December 31, 2000,  
7           a partnership may elect to pass through to its partners the  
8           credits to which the partnership is entitled under this  
9           subsection (e) for the taxable year. A partner may use the  
10          credit allocated to him or her under this paragraph only  
11          against the tax imposed in subsections (c) and (d) of this  
12          Section. If the partnership makes that election, those  
13          credits shall be allocated among the partners in the  
14          partnership in accordance with the rules set forth in  
15          Section 704(b) of the Internal Revenue Code, and the rules  
16          promulgated under that Section, and the allocated amount of  
17          the credits shall be allowed to the partners for that  
18          taxable year. The partnership shall make this election on  
19          its Personal Property Tax Replacement Income Tax return for  
20          that taxable year. The election to pass through the credits  
21          shall be irrevocable.

22          For taxable years ending on or after December 31, 2000,  
23          a partner that qualifies its partnership for a subtraction  
24          under subparagraph (I) of paragraph (2) of subsection (d)  
25          of Section 203 or a shareholder that qualifies a Subchapter  
26          S corporation for a subtraction under subparagraph (S) of

1 paragraph (2) of subsection (b) of Section 203 shall be  
2 allowed a credit under this subsection (e) equal to its  
3 share of the credit earned under this subsection (e) during  
4 the taxable year by the partnership or Subchapter S  
5 corporation, determined in accordance with the  
6 determination of income and distributive share of income  
7 under Sections 702 and 704 and Subchapter S of the Internal  
8 Revenue Code. This paragraph is exempt from the provisions  
9 of Section 250.

10 (f) Investment credit; Enterprise Zone; River Edge  
11 Redevelopment Zone.

12 (1) A taxpayer shall be allowed a credit against the  
13 tax imposed by subsections (a) and (b) of this Section for  
14 investment in qualified property which is placed in service  
15 in an Enterprise Zone created pursuant to the Illinois  
16 Enterprise Zone Act or, for property placed in service on  
17 or after July 1, 2006, a River Edge Redevelopment Zone  
18 established pursuant to the River Edge Redevelopment Zone  
19 Act. For partners, shareholders of Subchapter S  
20 corporations, and owners of limited liability companies,  
21 if the liability company is treated as a partnership for  
22 purposes of federal and State income taxation, there shall  
23 be allowed a credit under this subsection (f) to be  
24 determined in accordance with the determination of income  
25 and distributive share of income under Sections 702 and 704  
26 and Subchapter S of the Internal Revenue Code. The credit

1 shall be .5% of the basis for such property. The credit  
2 shall be available only in the taxable year in which the  
3 property is placed in service in the Enterprise Zone or  
4 River Edge Redevelopment Zone and shall not be allowed to  
5 the extent that it would reduce a taxpayer's liability for  
6 the tax imposed by subsections (a) and (b) of this Section  
7 to below zero. For tax years ending on or after December  
8 31, 1985, the credit shall be allowed for the tax year in  
9 which the property is placed in service, or, if the amount  
10 of the credit exceeds the tax liability for that year,  
11 whether it exceeds the original liability or the liability  
12 as later amended, such excess may be carried forward and  
13 applied to the tax liability of the 5 taxable years  
14 following the excess credit year. The credit shall be  
15 applied to the earliest year for which there is a  
16 liability. If there is credit from more than one tax year  
17 that is available to offset a liability, the credit  
18 accruing first in time shall be applied first.

19 (2) The term qualified property means property which:

20 (A) is tangible, whether new or used, including  
21 buildings and structural components of buildings;

22 (B) is depreciable pursuant to Section 167 of the  
23 Internal Revenue Code, except that "3-year property"  
24 as defined in Section 168(c)(2)(A) of that Code is not  
25 eligible for the credit provided by this subsection  
26 (f);



1 (C) is acquired by purchase as defined in Section  
2 179(d) of the Internal Revenue Code;

3 (D) is used in the Enterprise Zone or River Edge  
4 Redevelopment Zone by the taxpayer; and

5 (E) has not been previously used in Illinois in  
6 such a manner and by such a person as would qualify for  
7 the credit provided by this subsection (f) or  
8 subsection (e).

9 (3) The basis of qualified property shall be the basis  
10 used to compute the depreciation deduction for federal  
11 income tax purposes.

12 (4) If the basis of the property for federal income tax  
13 depreciation purposes is increased after it has been placed  
14 in service in the Enterprise Zone or River Edge  
15 Redevelopment Zone by the taxpayer, the amount of such  
16 increase shall be deemed property placed in service on the  
17 date of such increase in basis.

18 (5) The term "placed in service" shall have the same  
19 meaning as under Section 46 of the Internal Revenue Code.

20 (6) If during any taxable year, any property ceases to  
21 be qualified property in the hands of the taxpayer within  
22 48 months after being placed in service, or the situs of  
23 any qualified property is moved outside the Enterprise Zone  
24 or River Edge Redevelopment Zone within 48 months after  
25 being placed in service, the tax imposed under subsections  
26 (a) and (b) of this Section for such taxable year shall be

1 increased. Such increase shall be determined by (i)  
2 recomputing the investment credit which would have been  
3 allowed for the year in which credit for such property was  
4 originally allowed by eliminating such property from such  
5 computation, and (ii) subtracting such recomputed credit  
6 from the amount of credit previously allowed. For the  
7 purposes of this paragraph (6), a reduction of the basis of  
8 qualified property resulting from a redetermination of the  
9 purchase price shall be deemed a disposition of qualified  
10 property to the extent of such reduction.

11 (7) There shall be allowed an additional credit equal  
12 to 0.5% of the basis of qualified property placed in  
13 service during the taxable year in a River Edge  
14 Redevelopment Zone, provided such property is placed in  
15 service on or after July 1, 2006, and the taxpayer's base  
16 employment within Illinois has increased by 1% or more over  
17 the preceding year as determined by the taxpayer's  
18 employment records filed with the Illinois Department of  
19 Employment Security. Taxpayers who are new to Illinois  
20 shall be deemed to have met the 1% growth in base  
21 employment for the first year in which they file employment  
22 records with the Illinois Department of Employment  
23 Security. If, in any year, the increase in base employment  
24 within Illinois over the preceding year is less than 1%,  
25 the additional credit shall be limited to that percentage  
26 times a fraction, the numerator of which is 0.5% and the

1 denominator of which is 1%, but shall not exceed 0.5%.

2 (g) (Blank).

3 (h) Investment credit; High Impact Business.

4 (1) Subject to subsections (b) and (b-5) of Section 5.5  
5 of the Illinois Enterprise Zone Act, a taxpayer shall be  
6 allowed a credit against the tax imposed by subsections (a)  
7 and (b) of this Section for investment in qualified  
8 property which is placed in service by a Department of  
9 Commerce and Economic Opportunity designated High Impact  
10 Business. The credit shall be .5% of the basis for such  
11 property. The credit shall not be available (i) until the  
12 minimum investments in qualified property set forth in  
13 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
14 Enterprise Zone Act have been satisfied or (ii) until the  
15 time authorized in subsection (b-5) of the Illinois  
16 Enterprise Zone Act for entities designated as High Impact  
17 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and  
18 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone  
19 Act, and shall not be allowed to the extent that it would  
20 reduce a taxpayer's liability for the tax imposed by  
21 subsections (a) and (b) of this Section to below zero. The  
22 credit applicable to such investments shall be taken in the  
23 taxable year in which such investments have been completed.  
24 The credit for additional investments beyond the minimum  
25 investment by a designated high impact business authorized  
26 under subdivision (a)(3)(A) of Section 5.5 of the Illinois

1 Enterprise Zone Act shall be available only in the taxable  
2 year in which the property is placed in service and shall  
3 not be allowed to the extent that it would reduce a  
4 taxpayer's liability for the tax imposed by subsections (a)  
5 and (b) of this Section to below zero. For tax years ending  
6 on or after December 31, 1987, the credit shall be allowed  
7 for the tax year in which the property is placed in  
8 service, or, if the amount of the credit exceeds the tax  
9 liability for that year, whether it exceeds the original  
10 liability or the liability as later amended, such excess  
11 may be carried forward and applied to the tax liability of  
12 the 5 taxable years following the excess credit year. The  
13 credit shall be applied to the earliest year for which  
14 there is a liability. If there is credit from more than one  
15 tax year that is available to offset a liability, the  
16 credit accruing first in time shall be applied first.

17 Changes made in this subdivision (h) (1) by Public Act  
18 88-670 restore changes made by Public Act 85-1182 and  
19 reflect existing law.

20 (2) The term qualified property means property which:

21 (A) is tangible, whether new or used, including  
22 buildings and structural components of buildings;

23 (B) is depreciable pursuant to Section 167 of the  
24 Internal Revenue Code, except that "3-year property"  
25 as defined in Section 168(c) (2) (A) of that Code is not  
26 eligible for the credit provided by this subsection

1 (h);

2 (C) is acquired by purchase as defined in Section  
3 179(d) of the Internal Revenue Code; and

4 (D) is not eligible for the Enterprise Zone  
5 Investment Credit provided by subsection (f) of this  
6 Section.

7 (3) The basis of qualified property shall be the basis  
8 used to compute the depreciation deduction for federal  
9 income tax purposes.

10 (4) If the basis of the property for federal income tax  
11 depreciation purposes is increased after it has been placed  
12 in service in a federally designated Foreign Trade Zone or  
13 Sub-Zone located in Illinois by the taxpayer, the amount of  
14 such increase shall be deemed property placed in service on  
15 the date of such increase in basis.

16 (5) The term "placed in service" shall have the same  
17 meaning as under Section 46 of the Internal Revenue Code.

18 (6) If during any taxable year ending on or before  
19 December 31, 1996, any property ceases to be qualified  
20 property in the hands of the taxpayer within 48 months  
21 after being placed in service, or the situs of any  
22 qualified property is moved outside Illinois within 48  
23 months after being placed in service, the tax imposed under  
24 subsections (a) and (b) of this Section for such taxable  
25 year shall be increased. Such increase shall be determined  
26 by (i) recomputing the investment credit which would have

1           been allowed for the year in which credit for such property  
2           was originally allowed by eliminating such property from  
3           such computation, and (ii) subtracting such recomputed  
4           credit from the amount of credit previously allowed. For  
5           the purposes of this paragraph (6), a reduction of the  
6           basis of qualified property resulting from a  
7           redetermination of the purchase price shall be deemed a  
8           disposition of qualified property to the extent of such  
9           reduction.

10           (7) Beginning with tax years ending after December 31,  
11           1996, if a taxpayer qualifies for the credit under this  
12           subsection (h) and thereby is granted a tax abatement and  
13           the taxpayer relocates its entire facility in violation of  
14           the explicit terms and length of the contract under Section  
15           18-183 of the Property Tax Code, the tax imposed under  
16           subsections (a) and (b) of this Section shall be increased  
17           for the taxable year in which the taxpayer relocated its  
18           facility by an amount equal to the amount of credit  
19           received by the taxpayer under this subsection (h).

20           (i) Credit for Personal Property Tax Replacement Income  
21           Tax. For tax years ending prior to December 31, 2003, a credit  
22           shall be allowed against the tax imposed by subsections (a) and  
23           (b) of this Section for the tax imposed by subsections (c) and  
24           (d) of this Section. This credit shall be computed by  
25           multiplying the tax imposed by subsections (c) and (d) of this  
26           Section by a fraction, the numerator of which is base income

1 allocable to Illinois and the denominator of which is Illinois  
2 base income, and further multiplying the product by the tax  
3 rate imposed by subsections (a) and (b) of this Section.

4 Any credit earned on or after December 31, 1986 under this  
5 subsection which is unused in the year the credit is computed  
6 because it exceeds the tax liability imposed by subsections (a)  
7 and (b) for that year (whether it exceeds the original  
8 liability or the liability as later amended) may be carried  
9 forward and applied to the tax liability imposed by subsections  
10 (a) and (b) of the 5 taxable years following the excess credit  
11 year, provided that no credit may be carried forward to any  
12 year ending on or after December 31, 2003. This credit shall be  
13 applied first to the earliest year for which there is a  
14 liability. If there is a credit under this subsection from more  
15 than one tax year that is available to offset a liability the  
16 earliest credit arising under this subsection shall be applied  
17 first.

18 If, during any taxable year ending on or after December 31,  
19 1986, the tax imposed by subsections (c) and (d) of this  
20 Section for which a taxpayer has claimed a credit under this  
21 subsection (i) is reduced, the amount of credit for such tax  
22 shall also be reduced. Such reduction shall be determined by  
23 recomputing the credit to take into account the reduced tax  
24 imposed by subsections (c) and (d). If any portion of the  
25 reduced amount of credit has been carried to a different  
26 taxable year, an amended return shall be filed for such taxable

1 year to reduce the amount of credit claimed.

2 (j) Training expense credit. Beginning with tax years  
3 ending on or after December 31, 1986 and prior to December 31,  
4 2003, a taxpayer shall be allowed a credit against the tax  
5 imposed by subsections (a) and (b) under this Section for all  
6 amounts paid or accrued, on behalf of all persons employed by  
7 the taxpayer in Illinois or Illinois residents employed outside  
8 of Illinois by a taxpayer, for educational or vocational  
9 training in semi-technical or technical fields or semi-skilled  
10 or skilled fields, which were deducted from gross income in the  
11 computation of taxable income. The credit against the tax  
12 imposed by subsections (a) and (b) shall be 1.6% of such  
13 training expenses. For partners, shareholders of subchapter S  
14 corporations, and owners of limited liability companies, if the  
15 liability company is treated as a partnership for purposes of  
16 federal and State income taxation, there shall be allowed a  
17 credit under this subsection (j) to be determined in accordance  
18 with the determination of income and distributive share of  
19 income under Sections 702 and 704 and subchapter S of the  
20 Internal Revenue Code.

21 Any credit allowed under this subsection which is unused in  
22 the year the credit is earned may be carried forward to each of  
23 the 5 taxable years following the year for which the credit is  
24 first computed until it is used. This credit shall be applied  
25 first to the earliest year for which there is a liability. If  
26 there is a credit under this subsection from more than one tax



1 year that is available to offset a liability the earliest  
2 credit arising under this subsection shall be applied first. No  
3 carryforward credit may be claimed in any tax year ending on or  
4 after December 31, 2003.

5 (k) Research and development credit. For tax years ending  
6 after July 1, 1990 and prior to December 31, 2003, and  
7 beginning again for tax years ending on or after December 31,  
8 ~~2004, and ending prior to January 1, 2016,~~ a taxpayer shall be  
9 allowed a credit against the tax imposed by subsections (a) and  
10 (b) of this Section for increasing research activities in this  
11 State. The credit allowed against the tax imposed by  
12 subsections (a) and (b) shall be equal to 6 1/2% of the  
13 qualifying expenditures for increasing research activities in  
14 this State. For partners, shareholders of subchapter S  
15 corporations, and owners of limited liability companies, if the  
16 liability company is treated as a partnership for purposes of  
17 federal and State income taxation, there shall be allowed a  
18 credit under this subsection to be determined in accordance  
19 with the determination of income and distributive share of  
20 income under Sections 702 and 704 and subchapter S of the  
21 Internal Revenue Code.

22 For purposes of this subsection, "qualifying expenditures"  
23 means the qualifying expenditures as defined for the federal  
24 credit for increasing research activities which would be  
25 allowable under Section 41 of the Internal Revenue Code and  
26 which are conducted in this State, "qualifying expenditures for

1 increasing research activities in this State" means the excess  
2 of qualifying expenditures for the taxable year in which  
3 incurred over qualifying expenditures for the base period,  
4 "qualifying expenditures for the base period" means (i) for tax  
5 years ending prior to December 31, 2017, the average of the  
6 qualifying expenditures for each year in the base period; and  
7 (2) for tax years ending on or after December 31, 2017, 50% of  
8 the average of the qualifying expenditures for each year in the  
9 base period, and "base period" means the 3 taxable years  
10 immediately preceding the taxable year for which the  
11 determination is being made.

12 Any credit in excess of the tax liability for the taxable  
13 year may be carried forward. A taxpayer may elect to have the  
14 unused credit shown on its final completed return carried over  
15 as a credit against the tax liability for the following 5  
16 taxable years or until it has been fully used, whichever occurs  
17 first; provided that no credit earned in a tax year ending  
18 prior to December 31, 2003 may be carried forward to any year  
19 ending on or after December 31, 2003.

20 If an unused credit is carried forward to a given year from  
21 2 or more earlier years, that credit arising in the earliest  
22 year will be applied first against the tax liability for the  
23 given year. If a tax liability for the given year still  
24 remains, the credit from the next earliest year will then be  
25 applied, and so on, until all credits have been used or no tax  
26 liability for the given year remains. Any remaining unused

1 credit or credits then will be carried forward to the next  
2 following year in which a tax liability is incurred, except  
3 that no credit can be carried forward to a year which is more  
4 than 5 years after the year in which the expense for which the  
5 credit is given was incurred.

6 No inference shall be drawn from this amendatory Act of the  
7 91st General Assembly in construing this Section for taxable  
8 years beginning before January 1, 1999.

9 This subsection (k) is exempt from the provisions of  
10 Section 250.

11 It is the intent of the General Assembly that the research  
12 and development credit under this subsection (k) shall apply  
13 continuously for all tax years ending on or after December 31,  
14 2004, including, but not limited to, the period beginning on  
15 January 1, 2016 and ending on the effective date of this  
16 amendatory Act of the 100th General Assembly. All actions taken  
17 in reliance on the continuation of the credit under this  
18 subsection (k) by any taxpayer are hereby validated.

19 (1) Environmental Remediation Tax Credit.

20 (i) For tax years ending after December 31, 1997 and on  
21 or before December 31, 2001, a taxpayer shall be allowed a  
22 credit against the tax imposed by subsections (a) and (b)  
23 of this Section for certain amounts paid for unreimbursed  
24 eligible remediation costs, as specified in this  
25 subsection. For purposes of this Section, "unreimbursed  
26 eligible remediation costs" means costs approved by the

1 Illinois Environmental Protection Agency ("Agency") under  
2 Section 58.14 of the Environmental Protection Act that were  
3 paid in performing environmental remediation at a site for  
4 which a No Further Remediation Letter was issued by the  
5 Agency and recorded under Section 58.10 of the  
6 Environmental Protection Act. The credit must be claimed  
7 for the taxable year in which Agency approval of the  
8 eligible remediation costs is granted. The credit is not  
9 available to any taxpayer if the taxpayer or any related  
10 party caused or contributed to, in any material respect, a  
11 release of regulated substances on, in, or under the site  
12 that was identified and addressed by the remedial action  
13 pursuant to the Site Remediation Program of the  
14 Environmental Protection Act. After the Pollution Control  
15 Board rules are adopted pursuant to the Illinois  
16 Administrative Procedure Act for the administration and  
17 enforcement of Section 58.9 of the Environmental  
18 Protection Act, determinations as to credit availability  
19 for purposes of this Section shall be made consistent with  
20 those rules. For purposes of this Section, "taxpayer"  
21 includes a person whose tax attributes the taxpayer has  
22 succeeded to under Section 381 of the Internal Revenue Code  
23 and "related party" includes the persons disallowed a  
24 deduction for losses by paragraphs (b), (c), and (f) (1) of  
25 Section 267 of the Internal Revenue Code by virtue of being  
26 a related taxpayer, as well as any of its partners. The

1 credit allowed against the tax imposed by subsections (a)  
2 and (b) shall be equal to 25% of the unreimbursed eligible  
3 remediation costs in excess of \$100,000 per site, except  
4 that the \$100,000 threshold shall not apply to any site  
5 contained in an enterprise zone as determined by the  
6 Department of Commerce and Community Affairs (now  
7 Department of Commerce and Economic Opportunity). The  
8 total credit allowed shall not exceed \$40,000 per year with  
9 a maximum total of \$150,000 per site. For partners and  
10 shareholders of subchapter S corporations, there shall be  
11 allowed a credit under this subsection to be determined in  
12 accordance with the determination of income and  
13 distributive share of income under Sections 702 and 704 and  
14 subchapter S of the Internal Revenue Code.

15 (ii) A credit allowed under this subsection that is  
16 unused in the year the credit is earned may be carried  
17 forward to each of the 5 taxable years following the year  
18 for which the credit is first earned until it is used. The  
19 term "unused credit" does not include any amounts of  
20 unreimbursed eligible remediation costs in excess of the  
21 maximum credit per site authorized under paragraph (i).  
22 This credit shall be applied first to the earliest year for  
23 which there is a liability. If there is a credit under this  
24 subsection from more than one tax year that is available to  
25 offset a liability, the earliest credit arising under this  
26 subsection shall be applied first. A credit allowed under

1           this subsection may be sold to a buyer as part of a sale of  
2           all or part of the remediation site for which the credit  
3           was granted. The purchaser of a remediation site and the  
4           tax credit shall succeed to the unused credit and remaining  
5           carry-forward period of the seller. To perfect the  
6           transfer, the assignor shall record the transfer in the  
7           chain of title for the site and provide written notice to  
8           the Director of the Illinois Department of Revenue of the  
9           assignor's intent to sell the remediation site and the  
10          amount of the tax credit to be transferred as a portion of  
11          the sale. In no event may a credit be transferred to any  
12          taxpayer if the taxpayer or a related party would not be  
13          eligible under the provisions of subsection (i).

14           (iii) For purposes of this Section, the term "site"  
15          shall have the same meaning as under Section 58.2 of the  
16          Environmental Protection Act.

17          (m) Education expense credit. Beginning with tax years  
18          ending after December 31, 1999, a taxpayer who is the custodian  
19          of one or more qualifying pupils shall be allowed a credit  
20          against the tax imposed by subsections (a) and (b) of this  
21          Section for qualified education expenses incurred on behalf of  
22          the qualifying pupils. The credit shall be equal to 25% of  
23          qualified education expenses, but in no event may the total  
24          credit under this subsection claimed by a family that is the  
25          custodian of qualifying pupils exceed (i) \$500 for tax years  
26          ending prior to December 31, 2017, and (ii) \$750 for tax years

1 ending on or after December 31, 2017. In no event shall a  
2 credit under this subsection reduce the taxpayer's liability  
3 under this Act to less than zero. This subsection is exempt  
4 from the provisions of Section 250 of this Act.

5 For purposes of this subsection:

6 "Qualifying pupils" means individuals who (i) are  
7 residents of the State of Illinois, (ii) are under the age of  
8 21 at the close of the school year for which a credit is  
9 sought, and (iii) during the school year for which a credit is  
10 sought were full-time pupils enrolled in a kindergarten through  
11 twelfth grade education program at any school, as defined in  
12 this subsection.

13 "Qualified education expense" means the amount incurred on  
14 behalf of a qualifying pupil in excess of \$250 for tuition,  
15 book fees, and lab fees at the school in which the pupil is  
16 enrolled during the regular school year.

17 "School" means any public or nonpublic elementary or  
18 secondary school in Illinois that is in compliance with Title  
19 VI of the Civil Rights Act of 1964 and attendance at which  
20 satisfies the requirements of Section 26-1 of the School Code,  
21 except that nothing shall be construed to require a child to  
22 attend any particular public or nonpublic school to qualify for  
23 the credit under this Section.

24 "Custodian" means, with respect to qualifying pupils, an  
25 Illinois resident who is a parent, the parents, a legal  
26 guardian, or the legal guardians of the qualifying pupils.

1           (n) River Edge Redevelopment Zone site remediation tax  
2 credit.

3           (i) For tax years ending on or after December 31, 2006,  
4 a taxpayer shall be allowed a credit against the tax  
5 imposed by subsections (a) and (b) of this Section for  
6 certain amounts paid for unreimbursed eligible remediation  
7 costs, as specified in this subsection. For purposes of  
8 this Section, "unreimbursed eligible remediation costs"  
9 means costs approved by the Illinois Environmental  
10 Protection Agency ("Agency") under Section 58.14a of the  
11 Environmental Protection Act that were paid in performing  
12 environmental remediation at a site within a River Edge  
13 Redevelopment Zone for which a No Further Remediation  
14 Letter was issued by the Agency and recorded under Section  
15 58.10 of the Environmental Protection Act. The credit must  
16 be claimed for the taxable year in which Agency approval of  
17 the eligible remediation costs is granted. The credit is  
18 not available to any taxpayer if the taxpayer or any  
19 related party caused or contributed to, in any material  
20 respect, a release of regulated substances on, in, or under  
21 the site that was identified and addressed by the remedial  
22 action pursuant to the Site Remediation Program of the  
23 Environmental Protection Act. Determinations as to credit  
24 availability for purposes of this Section shall be made  
25 consistent with rules adopted by the Pollution Control  
26 Board pursuant to the Illinois Administrative Procedure



1 Act for the administration and enforcement of Section 58.9  
2 of the Environmental Protection Act. For purposes of this  
3 Section, "taxpayer" includes a person whose tax attributes  
4 the taxpayer has succeeded to under Section 381 of the  
5 Internal Revenue Code and "related party" includes the  
6 persons disallowed a deduction for losses by paragraphs  
7 (b), (c), and (f) (1) of Section 267 of the Internal Revenue  
8 Code by virtue of being a related taxpayer, as well as any  
9 of its partners. The credit allowed against the tax imposed  
10 by subsections (a) and (b) shall be equal to 25% of the  
11 unreimbursed eligible remediation costs in excess of  
12 \$100,000 per site.

13 (ii) A credit allowed under this subsection that is  
14 unused in the year the credit is earned may be carried  
15 forward to each of the 5 taxable years following the year  
16 for which the credit is first earned until it is used. This  
17 credit shall be applied first to the earliest year for  
18 which there is a liability. If there is a credit under this  
19 subsection from more than one tax year that is available to  
20 offset a liability, the earliest credit arising under this  
21 subsection shall be applied first. A credit allowed under  
22 this subsection may be sold to a buyer as part of a sale of  
23 all or part of the remediation site for which the credit  
24 was granted. The purchaser of a remediation site and the  
25 tax credit shall succeed to the unused credit and remaining  
26 carry-forward period of the seller. To perfect the

1 transfer, the assignor shall record the transfer in the  
2 chain of title for the site and provide written notice to  
3 the Director of the Illinois Department of Revenue of the  
4 assignor's intent to sell the remediation site and the  
5 amount of the tax credit to be transferred as a portion of  
6 the sale. In no event may a credit be transferred to any  
7 taxpayer if the taxpayer or a related party would not be  
8 eligible under the provisions of subsection (i).

9 (iii) For purposes of this Section, the term "site"  
10 shall have the same meaning as under Section 58.2 of the  
11 Environmental Protection Act.

12 (o) For each of taxable years during the Compassionate Use  
13 of Medical Cannabis Pilot Program, a surcharge is imposed on  
14 all taxpayers on income arising from the sale or exchange of  
15 capital assets, depreciable business property, real property  
16 used in the trade or business, and Section 197 intangibles of  
17 an organization registrant under the Compassionate Use of  
18 Medical Cannabis Pilot Program Act. The amount of the surcharge  
19 is equal to the amount of federal income tax liability for the  
20 taxable year attributable to those sales and exchanges. The  
21 surcharge imposed does not apply if:

22 (1) the medical cannabis cultivation center  
23 registration, medical cannabis dispensary registration, or  
24 the property of a registration is transferred as a result  
25 of any of the following:

26 (A) bankruptcy, a receivership, or a debt

1 adjustment initiated by or against the initial  
2 registration or the substantial owners of the initial  
3 registration;

4 (B) cancellation, revocation, or termination of  
5 any registration by the Illinois Department of Public  
6 Health;

7 (C) a determination by the Illinois Department of  
8 Public Health that transfer of the registration is in  
9 the best interests of Illinois qualifying patients as  
10 defined by the Compassionate Use of Medical Cannabis  
11 Pilot Program Act;

12 (D) the death of an owner of the equity interest in  
13 a registrant;

14 (E) the acquisition of a controlling interest in  
15 the stock or substantially all of the assets of a  
16 publicly traded company;

17 (F) a transfer by a parent company to a wholly  
18 owned subsidiary; or

19 (G) the transfer or sale to or by one person to  
20 another person where both persons were initial owners  
21 of the registration when the registration was issued;

22 or

23 (2) the cannabis cultivation center registration,  
24 medical cannabis dispensary registration, or the  
25 controlling interest in a registrant's property is  
26 transferred in a transaction to lineal descendants in which

1 no gain or loss is recognized or as a result of a  
2 transaction in accordance with Section 351 of the Internal  
3 Revenue Code in which no gain or loss is recognized.

4 (Source: P.A. 97-2, eff. 5-6-11; 97-636, eff. 6-1-12; 97-905,  
5 eff. 8-7-12; 98-109, eff. 7-25-13; 98-122, eff. 1-1-14; 98-756,  
6 eff. 7-16-14.)

7 (35 ILCS 5/201.7 new)

8 Sec. 201.7. Fiscal Year 2018 spending limitation and tax  
9 reduction.

10 (a) If, in State fiscal year 2018, State spending exceeds  
11 the State spending limitation set forth in subsection (b) of  
12 this Section, then the tax rates set forth in subsection (b) of  
13 Section 201 of this Act shall be reduced, according to the  
14 procedures set forth in this Section, to 3.75% of the  
15 taxpayer's net income for individuals, trusts, and estates and  
16 to 5.25% of the taxpayer's net income for corporations. For all  
17 taxable years following the taxable year in which the rate has  
18 been reduced pursuant to this Section, the tax rate set forth  
19 in subsection (b) of Section 201 of this Act shall be 3.75% of  
20 the taxpayer's net income for individuals, trusts, and estates  
21 and 5.25% of the taxpayer's net income for corporations.

22 (b) The State spending limitation for fiscal year 2018  
23 shall be \$37,875,000,000.

24 (c) Notwithstanding any other provision of law to the  
25 contrary, the Auditor General shall examine each Public Act

1 authorizing State spending from State general funds and prepare  
2 a report no later than 30 days after receiving notification of  
3 the Public Act from the Secretary of State or 60 days after the  
4 effective date of the Public Act, whichever is earlier. The  
5 Auditor General shall file the report with the Secretary of  
6 State and copies with the Governor, the State Treasurer, the  
7 State Comptroller, the Senate, and the House of  
8 Representatives. The report shall indicate: (i) the amount of  
9 State spending set forth in the applicable Public Act; (ii) the  
10 total amount of State spending authorized by law for the  
11 applicable fiscal year as of the date of the report; and (iii)  
12 whether State spending exceeds the State spending limitation  
13 set forth in subsection (b). The Auditor General may examine  
14 multiple Public Acts in one consolidated report, provided that  
15 each Public Act is examined within the time period mandated by  
16 this subsection (c). The Auditor General shall issue reports in  
17 accordance with this Section through June 30, 2018, or the  
18 effective date of a reduction in the rate of tax imposed by  
19 subsections (a) and (b) of Section 201 of this Act pursuant to  
20 this Section, whichever is earlier.

21 At the request of the Auditor General, each State agency  
22 shall, without delay, make available to the Auditor General or  
23 his or her designated representative any record or information  
24 requested and shall provide for examination or copying all  
25 records, accounts, papers, reports, vouchers, correspondence,  
26 books and other documentation in the custody of that agency,

1 including information stored in electronic data processing  
2 systems, which is related to or within the scope of a report  
3 prepared under this Section. The Auditor General shall report  
4 to the Governor each instance in which a State agency fails to  
5 cooperate promptly and fully with his or her office as required  
6 by this Section.

7 The Auditor General's report shall not be in the nature of  
8 a post-audit or examination and shall not lead to the issuance  
9 of an opinion as that term is defined in generally accepted  
10 government auditing standards.

11 (d) If the Auditor General reports that State spending has  
12 exceeded the State spending limitation set forth in subsection  
13 (b) and if the Governor has not been presented with a bill or  
14 bills passed by the General Assembly to reduce State spending  
15 to a level that does not exceed the State spending limitation  
16 within 45 calendar days of receipt of the Auditor General's  
17 report, then the Governor may, for the purpose of reducing  
18 State spending to a level that does not exceed the State  
19 spending limitation set forth in subsection (b), designate  
20 amounts to be set aside as a reserve from the amounts  
21 appropriated from the State general funds for all boards,  
22 commissions, agencies, institutions, authorities, colleges,  
23 universities, and bodies politic and corporate of the State,  
24 but not other constitutional officers, the legislative or  
25 judicial branch, the office of the Executive Inspector General,  
26 or the Executive Ethics Commission. Such a designation must be

1 made within 15 calendar days after the end of that 45-day  
2 period. If the Governor designates amounts to be set aside as a  
3 reserve, the Governor shall give notice of the designation to  
4 the Auditor General, the State Treasurer, the State  
5 Comptroller, the Senate, and the House of Representatives. The  
6 amounts placed in reserves shall not be transferred, obligated,  
7 encumbered, expended, or otherwise committed unless so  
8 authorized by law. Any amount placed in reserves is not State  
9 spending and shall not be considered when calculating the total  
10 amount of State spending. Any Public Act authorizing the use of  
11 amounts placed in reserve by the Governor is considered State  
12 spending, unless such Public Act authorizes the use of amounts  
13 placed in reserves in response to a fiscal emergency under  
14 subsection (g).

15 (e) If the Auditor General reports under subsection (c)  
16 that State spending has exceeded the State spending limitation  
17 set forth in subsection (b), then the Auditor General shall  
18 issue a supplemental report no sooner than the 61st day and no  
19 later than the 65th day after issuing the report pursuant to  
20 subsection (c). The supplemental report shall: (i) summarize  
21 details of actions taken by the General Assembly and the  
22 Governor after the issuance of the initial report to reduce  
23 State spending, if any, (ii) indicate whether the level of  
24 State spending has changed since the initial report, and (iii)  
25 indicate whether State spending exceeds the State spending  
26 limitation. The Auditor General shall file the report with the

1 Secretary of State and copies with the Governor, the State  
2 Treasurer, the State Comptroller, the Senate, and the House of  
3 Representatives. If the supplemental report of the Auditor  
4 General provides that State spending exceeds the State spending  
5 limitation, then the rate of tax imposed by subsections (a) and  
6 (b) of Section 201 is reduced as provided in this Section  
7 beginning on the first day of the first month to occur not less  
8 than 30 days after issuance of the supplemental report.

9 (f) Should the rates of tax be reduced under this Section,  
10 the tax imposed by subsections (a) and (b) of Section 201 shall  
11 be determined as follows:

12 (1) In the case of an individual, trust, or estate, the  
13 tax shall be imposed in an amount equal to the sum of (i)  
14 the rate applicable to the taxpayer under subsection (b) of  
15 Section 201 (without regard to the provisions of this  
16 Section) times the taxpayer's net income for any portion of  
17 the taxable year prior to the effective date of the  
18 reduction and (ii) 3.75% of the taxpayer's net income for  
19 any portion of the taxable year on or after the effective  
20 date of the reduction.

21 (2) In the case of a corporation, the tax shall be  
22 imposed in an amount equal to the sum of (i) the rate  
23 applicable to the taxpayer under subsection (b) of Section  
24 201 (without regard to the provisions of this Section)  
25 times the taxpayer's net income for any portion of the  
26 taxable year prior to the effective date of the reduction



1 and (ii) 5.25% of the taxpayer's net income for any portion  
2 of the taxable year on or after the effective date of the  
3 reduction.

4 (3) For any taxpayer for whom the rate has been reduced  
5 under this Section for a portion of a taxable year, the  
6 taxpayer shall determine the net income for each portion of  
7 the taxable year following the rules set forth in Section  
8 202.5 of this Act, using the effective date of the rate  
9 reduction rather than the January 1 dates found in that  
10 Section, and the day before the effective date of the rate  
11 reduction rather than the December 31 dates found in that  
12 Section.

13 (4) If the rate applicable to the taxpayer under  
14 subsection (b) of Section 201 (without regard to the  
15 provisions of this Section) changes during a portion of the  
16 taxable year to which that rate is applied under paragraphs  
17 (1) or (2) of this subsection (f), the tax for that portion  
18 of the taxable year for purposes of paragraph (1) or (2) of  
19 this subsection (f) shall be determined as if that portion  
20 of the taxable year were a separate taxable year, following  
21 the rules set forth in Section 202.5 of this Act. If the  
22 taxpayer elects to follow the rules set forth in subsection  
23 (b) of Section 202.5, the taxpayer shall follow the rules  
24 set forth in subsection (b) of Section 202.5 for all  
25 purposes of this Section for that taxable year.

26 (g) Notwithstanding the State spending limitation set

1 forth in subsection (b) of this Section, the Governor may  
2 declare a fiscal emergency by filing a declaration with the  
3 Secretary of State and copies with the State Treasurer, the  
4 State Comptroller, the Senate, and the House of  
5 Representatives. The declaration must be limited to only one  
6 State fiscal year, set forth compelling reasons for declaring a  
7 fiscal emergency, and request a specific dollar amount. Unless,  
8 within 10 calendar days of receipt of the Governor's  
9 declaration, the State Comptroller or State Treasurer notifies  
10 the Senate and the House of Representatives that he or she does  
11 not concur in the Governor's declaration, State spending  
12 authorized by law to address the fiscal emergency in an amount  
13 no greater than the dollar amount specified in the declaration  
14 shall not be considered "State spending" for purposes of the  
15 State spending limitation.

16 (h) As used in this Section:

17 "State general funds" means the General Revenue Fund, the  
18 Common School Fund, the General Revenue Common School Special  
19 Account Fund, the Education Assistance Fund, and the Budget  
20 Stabilization Fund.

21 "State spending" means (i) the total amount authorized for  
22 spending by appropriation or statutory transfer from the State  
23 general funds in the applicable fiscal year, and (ii) any  
24 amounts the Governor places in reserves in accordance with  
25 subsection (d) that are subsequently released from reserves  
26 following authorization by a Public Act. For the purpose of

1 this definition, "appropriation" means authority to spend  
2 money from a State general fund for a specific amount, purpose,  
3 and time period, including any supplemental appropriation or  
4 continuing appropriation, but does not include  
5 reappropriations from a previous fiscal year. For the purpose  
6 of this definition, "statutory transfer" means authority to  
7 transfer funds from one State general fund to any other fund in  
8 the State treasury, but does not include transfers made from  
9 one State general fund to another State general fund.

10 "State spending limitation" means the amount described in  
11 subsection (b) of this Section for the applicable fiscal year.

12 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

13 Sec. 203. Base income defined.

14 (a) Individuals.

15 (1) In general. In the case of an individual, base  
16 income means an amount equal to the taxpayer's adjusted  
17 gross income for the taxable year as modified by paragraph  
18 (2).

19 (2) Modifications. The adjusted gross income referred  
20 to in paragraph (1) shall be modified by adding thereto the  
21 sum of the following amounts:

22 (A) An amount equal to all amounts paid or accrued  
23 to the taxpayer as interest or dividends during the  
24 taxable year to the extent excluded from gross income  
25 in the computation of adjusted gross income, except

1 stock dividends of qualified public utilities  
2 described in Section 305(e) of the Internal Revenue  
3 Code;

4 (B) An amount equal to the amount of tax imposed by  
5 this Act to the extent deducted from gross income in  
6 the computation of adjusted gross income for the  
7 taxable year;

8 (C) An amount equal to the amount received during  
9 the taxable year as a recovery or refund of real  
10 property taxes paid with respect to the taxpayer's  
11 principal residence under the Revenue Act of 1939 and  
12 for which a deduction was previously taken under  
13 subparagraph (L) of this paragraph (2) prior to July 1,  
14 1991, the retrospective application date of Article 4  
15 of Public Act 87-17. In the case of multi-unit or  
16 multi-use structures and farm dwellings, the taxes on  
17 the taxpayer's principal residence shall be that  
18 portion of the total taxes for the entire property  
19 which is attributable to such principal residence;

20 (D) An amount equal to the amount of the capital  
21 gain deduction allowable under the Internal Revenue  
22 Code, to the extent deducted from gross income in the  
23 computation of adjusted gross income;

24 (D-5) An amount, to the extent not included in  
25 adjusted gross income, equal to the amount of money  
26 withdrawn by the taxpayer in the taxable year from a

1 medical care savings account and the interest earned on  
2 the account in the taxable year of a withdrawal  
3 pursuant to subsection (b) of Section 20 of the Medical  
4 Care Savings Account Act or subsection (b) of Section  
5 20 of the Medical Care Savings Account Act of 2000;

6 (D-10) For taxable years ending after December 31,  
7 1997, an amount equal to any eligible remediation costs  
8 that the individual deducted in computing adjusted  
9 gross income and for which the individual claims a  
10 credit under subsection (l) of Section 201;

11 (D-15) For taxable years 2001 and thereafter, an  
12 amount equal to the bonus depreciation deduction taken  
13 on the taxpayer's federal income tax return for the  
14 taxable year under subsection (k) of Section 168 of the  
15 Internal Revenue Code;

16 (D-16) If the taxpayer sells, transfers, abandons,  
17 or otherwise disposes of property for which the  
18 taxpayer was required in any taxable year to make an  
19 addition modification under subparagraph (D-15), then  
20 an amount equal to the aggregate amount of the  
21 deductions taken in all taxable years under  
22 subparagraph (Z) with respect to that property.

23 If the taxpayer continues to own property through  
24 the last day of the last tax year for which the  
25 taxpayer may claim a depreciation deduction for  
26 federal income tax purposes and for which the taxpayer

1 was allowed in any taxable year to make a subtraction  
2 modification under subparagraph (Z), then an amount  
3 equal to that subtraction modification.

4 The taxpayer is required to make the addition  
5 modification under this subparagraph only once with  
6 respect to any one piece of property;

7 (D-17) An amount equal to the amount otherwise  
8 allowed as a deduction in computing base income for  
9 interest paid, accrued, or incurred, directly or  
10 indirectly, (i) for taxable years ending on or after  
11 December 31, 2004, to a foreign person who would be a  
12 member of the same unitary business group but for the  
13 fact that foreign person's business activity outside  
14 the United States is 80% or more of the foreign  
15 person's total business activity and (ii) for taxable  
16 years ending on or after December 31, 2008, to a person  
17 who would be a member of the same unitary business  
18 group but for the fact that the person is prohibited  
19 under Section 1501(a)(27) from being included in the  
20 unitary business group because he or she is ordinarily  
21 required to apportion business income under different  
22 subsections of Section 304. The addition modification  
23 required by this subparagraph shall be reduced to the  
24 extent that dividends were included in base income of  
25 the unitary group for the same taxable year and  
26 received by the taxpayer or by a member of the

1 taxpayer's unitary business group (including amounts  
2 included in gross income under Sections 951 through 964  
3 of the Internal Revenue Code and amounts included in  
4 gross income under Section 78 of the Internal Revenue  
5 Code) with respect to the stock of the same person to  
6 whom the interest was paid, accrued, or incurred.

7 This paragraph shall not apply to the following:

8 (i) an item of interest paid, accrued, or  
9 incurred, directly or indirectly, to a person who  
10 is subject in a foreign country or state, other  
11 than a state which requires mandatory unitary  
12 reporting, to a tax on or measured by net income  
13 with respect to such interest; or

14 (ii) an item of interest paid, accrued, or  
15 incurred, directly or indirectly, to a person if  
16 the taxpayer can establish, based on a  
17 preponderance of the evidence, both of the  
18 following:

19 (a) the person, during the same taxable  
20 year, paid, accrued, or incurred, the interest  
21 to a person that is not a related member, and

22 (b) the transaction giving rise to the  
23 interest expense between the taxpayer and the  
24 person did not have as a principal purpose the  
25 avoidance of Illinois income tax, and is paid  
26 pursuant to a contract or agreement that

1 reflects an arm's-length interest rate and  
2 terms; or

3 (iii) the taxpayer can establish, based on  
4 clear and convincing evidence, that the interest  
5 paid, accrued, or incurred relates to a contract or  
6 agreement entered into at arm's-length rates and  
7 terms and the principal purpose for the payment is  
8 not federal or Illinois tax avoidance; or

9 (iv) an item of interest paid, accrued, or  
10 incurred, directly or indirectly, to a person if  
11 the taxpayer establishes by clear and convincing  
12 evidence that the adjustments are unreasonable; or  
13 if the taxpayer and the Director agree in writing  
14 to the application or use of an alternative method  
15 of apportionment under Section 304(f).

16 Nothing in this subsection shall preclude the  
17 Director from making any other adjustment  
18 otherwise allowed under Section 404 of this Act for  
19 any tax year beginning after the effective date of  
20 this amendment provided such adjustment is made  
21 pursuant to regulation adopted by the Department  
22 and such regulations provide methods and standards  
23 by which the Department will utilize its authority  
24 under Section 404 of this Act;

25 (D-18) An amount equal to the amount of intangible  
26 expenses and costs otherwise allowed as a deduction in



1 computing base income, and that were paid, accrued, or  
2 incurred, directly or indirectly, (i) for taxable  
3 years ending on or after December 31, 2004, to a  
4 foreign person who would be a member of the same  
5 unitary business group but for the fact that the  
6 foreign person's business activity outside the United  
7 States is 80% or more of that person's total business  
8 activity and (ii) for taxable years ending on or after  
9 December 31, 2008, to a person who would be a member of  
10 the same unitary business group but for the fact that  
11 the person is prohibited under Section 1501(a)(27)  
12 from being included in the unitary business group  
13 because he or she is ordinarily required to apportion  
14 business income under different subsections of Section  
15 304. The addition modification required by this  
16 subparagraph shall be reduced to the extent that  
17 dividends were included in base income of the unitary  
18 group for the same taxable year and received by the  
19 taxpayer or by a member of the taxpayer's unitary  
20 business group (including amounts included in gross  
21 income under Sections 951 through 964 of the Internal  
22 Revenue Code and amounts included in gross income under  
23 Section 78 of the Internal Revenue Code) with respect  
24 to the stock of the same person to whom the intangible  
25 expenses and costs were directly or indirectly paid,  
26 incurred, or accrued. The preceding sentence does not

1 apply to the extent that the same dividends caused a  
2 reduction to the addition modification required under  
3 Section 203(a)(2)(D-17) of this Act. As used in this  
4 subparagraph, the term "intangible expenses and costs"  
5 includes (1) expenses, losses, and costs for, or  
6 related to, the direct or indirect acquisition, use,  
7 maintenance or management, ownership, sale, exchange,  
8 or any other disposition of intangible property; (2)  
9 losses incurred, directly or indirectly, from  
10 factoring transactions or discounting transactions;  
11 (3) royalty, patent, technical, and copyright fees;  
12 (4) licensing fees; and (5) other similar expenses and  
13 costs. For purposes of this subparagraph, "intangible  
14 property" includes patents, patent applications, trade  
15 names, trademarks, service marks, copyrights, mask  
16 works, trade secrets, and similar types of intangible  
17 assets.

18 This paragraph shall not apply to the following:

19 (i) any item of intangible expenses or costs  
20 paid, accrued, or incurred, directly or  
21 indirectly, from a transaction with a person who is  
22 subject in a foreign country or state, other than a  
23 state which requires mandatory unitary reporting,  
24 to a tax on or measured by net income with respect  
25 to such item; or

26 (ii) any item of intangible expense or cost

1           paid, accrued, or incurred, directly or  
2           indirectly, if the taxpayer can establish, based  
3           on a preponderance of the evidence, both of the  
4           following:

5                   (a) the person during the same taxable  
6                   year paid, accrued, or incurred, the  
7                   intangible expense or cost to a person that is  
8                   not a related member, and

9                   (b) the transaction giving rise to the  
10                   intangible expense or cost between the  
11                   taxpayer and the person did not have as a  
12                   principal purpose the avoidance of Illinois  
13                   income tax, and is paid pursuant to a contract  
14                   or agreement that reflects arm's-length terms;  
15                   or

16                   (iii) any item of intangible expense or cost  
17                   paid, accrued, or incurred, directly or  
18                   indirectly, from a transaction with a person if the  
19                   taxpayer establishes by clear and convincing  
20                   evidence, that the adjustments are unreasonable;  
21                   or if the taxpayer and the Director agree in  
22                   writing to the application or use of an alternative  
23                   method of apportionment under Section 304(f);

24                   Nothing in this subsection shall preclude the  
25                   Director from making any other adjustment  
26                   otherwise allowed under Section 404 of this Act for

1           any tax year beginning after the effective date of  
2           this amendment provided such adjustment is made  
3           pursuant to regulation adopted by the Department  
4           and such regulations provide methods and standards  
5           by which the Department will utilize its authority  
6           under Section 404 of this Act;

7           (D-19) For taxable years ending on or after  
8           December 31, 2008, an amount equal to the amount of  
9           insurance premium expenses and costs otherwise allowed  
10          as a deduction in computing base income, and that were  
11          paid, accrued, or incurred, directly or indirectly, to  
12          a person who would be a member of the same unitary  
13          business group but for the fact that the person is  
14          prohibited under Section 1501(a)(27) from being  
15          included in the unitary business group because he or  
16          she is ordinarily required to apportion business  
17          income under different subsections of Section 304. The  
18          addition modification required by this subparagraph  
19          shall be reduced to the extent that dividends were  
20          included in base income of the unitary group for the  
21          same taxable year and received by the taxpayer or by a  
22          member of the taxpayer's unitary business group  
23          (including amounts included in gross income under  
24          Sections 951 through 964 of the Internal Revenue Code  
25          and amounts included in gross income under Section 78  
26          of the Internal Revenue Code) with respect to the stock

1 of the same person to whom the premiums and costs were  
2 directly or indirectly paid, incurred, or accrued. The  
3 preceding sentence does not apply to the extent that  
4 the same dividends caused a reduction to the addition  
5 modification required under Section 203(a)(2)(D-17) or  
6 Section 203(a)(2)(D-18) of this Act.

7 (D-20) For taxable years beginning on or after  
8 January 1, 2002 and ending on or before December 31,  
9 2006, in the case of a distribution from a qualified  
10 tuition program under Section 529 of the Internal  
11 Revenue Code, other than (i) a distribution from a  
12 College Savings Pool created under Section 16.5 of the  
13 State Treasurer Act or (ii) a distribution from the  
14 Illinois Prepaid Tuition Trust Fund, an amount equal to  
15 the amount excluded from gross income under Section  
16 529(c)(3)(B). For taxable years beginning on or after  
17 January 1, 2007, in the case of a distribution from a  
18 qualified tuition program under Section 529 of the  
19 Internal Revenue Code, other than (i) a distribution  
20 from a College Savings Pool created under Section 16.5  
21 of the State Treasurer Act, (ii) a distribution from  
22 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
23 distribution from a qualified tuition program under  
24 Section 529 of the Internal Revenue Code that (I)  
25 adopts and determines that its offering materials  
26 comply with the College Savings Plans Network's

1 disclosure principles and (II) has made reasonable  
2 efforts to inform in-state residents of the existence  
3 of in-state qualified tuition programs by informing  
4 Illinois residents directly and, where applicable, to  
5 inform financial intermediaries distributing the  
6 program to inform in-state residents of the existence  
7 of in-state qualified tuition programs at least  
8 annually, an amount equal to the amount excluded from  
9 gross income under Section 529(c)(3)(B).

10 For the purposes of this subparagraph (D-20), a  
11 qualified tuition program has made reasonable efforts  
12 if it makes disclosures (which may use the term  
13 "in-state program" or "in-state plan" and need not  
14 specifically refer to Illinois or its qualified  
15 programs by name) (i) directly to prospective  
16 participants in its offering materials or makes a  
17 public disclosure, such as a website posting; and (ii)  
18 where applicable, to intermediaries selling the  
19 out-of-state program in the same manner that the  
20 out-of-state program distributes its offering  
21 materials;

22 (D-21) For taxable years beginning on or after  
23 January 1, 2007, in the case of transfer of moneys from  
24 a qualified tuition program under Section 529 of the  
25 Internal Revenue Code that is administered by the State  
26 to an out-of-state program, an amount equal to the

1 amount of moneys previously deducted from base income  
2 under subsection (a) (2) (Y) of this Section;

3 (D-22) For taxable years beginning on or after  
4 January 1, 2009, in the case of a nonqualified  
5 withdrawal or refund of moneys from a qualified tuition  
6 program under Section 529 of the Internal Revenue Code  
7 administered by the State that is not used for  
8 qualified expenses at an eligible education  
9 institution, an amount equal to the contribution  
10 component of the nonqualified withdrawal or refund  
11 that was previously deducted from base income under  
12 subsection (a) (2) (y) of this Section, provided that  
13 the withdrawal or refund did not result from the  
14 beneficiary's death or disability;

15 (D-23) An amount equal to the credit allowable to  
16 the taxpayer under Section 218(a) of this Act,  
17 determined without regard to Section 218(c) of this  
18 Act;

19 (D-24) For taxable years beginning on or after  
20 January 1, 2017, an amount equal to the deduction  
21 allowed under Section 199 of the Internal Revenue Code  
22 for the taxable year;

23 and by deducting from the total so obtained the sum of the  
24 following amounts:

25 (E) For taxable years ending before December 31,  
26 2001, any amount included in such total in respect of

1 any compensation (including but not limited to any  
2 compensation paid or accrued to a serviceman while a  
3 prisoner of war or missing in action) paid to a  
4 resident by reason of being on active duty in the Armed  
5 Forces of the United States and in respect of any  
6 compensation paid or accrued to a resident who as a  
7 governmental employee was a prisoner of war or missing  
8 in action, and in respect of any compensation paid to a  
9 resident in 1971 or thereafter for annual training  
10 performed pursuant to Sections 502 and 503, Title 32,  
11 United States Code as a member of the Illinois National  
12 Guard or, beginning with taxable years ending on or  
13 after December 31, 2007, the National Guard of any  
14 other state. For taxable years ending on or after  
15 December 31, 2001, any amount included in such total in  
16 respect of any compensation (including but not limited  
17 to any compensation paid or accrued to a serviceman  
18 while a prisoner of war or missing in action) paid to a  
19 resident by reason of being a member of any component  
20 of the Armed Forces of the United States and in respect  
21 of any compensation paid or accrued to a resident who  
22 as a governmental employee was a prisoner of war or  
23 missing in action, and in respect of any compensation  
24 paid to a resident in 2001 or thereafter by reason of  
25 being a member of the Illinois National Guard or,  
26 beginning with taxable years ending on or after



1 December 31, 2007, the National Guard of any other  
2 state. The provisions of this subparagraph (E) are  
3 exempt from the provisions of Section 250;

4 (F) An amount equal to all amounts included in such  
5 total pursuant to the provisions of Sections 402(a),  
6 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the  
7 Internal Revenue Code, or included in such total as  
8 distributions under the provisions of any retirement  
9 or disability plan for employees of any governmental  
10 agency or unit, or retirement payments to retired  
11 partners, which payments are excluded in computing net  
12 earnings from self employment by Section 1402 of the  
13 Internal Revenue Code and regulations adopted pursuant  
14 thereto;

15 (G) The valuation limitation amount;

16 (H) An amount equal to the amount of any tax  
17 imposed by this Act which was refunded to the taxpayer  
18 and included in such total for the taxable year;

19 (I) An amount equal to all amounts included in such  
20 total pursuant to the provisions of Section 111 of the  
21 Internal Revenue Code as a recovery of items previously  
22 deducted from adjusted gross income in the computation  
23 of taxable income;

24 (J) An amount equal to those dividends included in  
25 such total which were paid by a corporation which  
26 conducts business operations in a River Edge

1           Redevelopment Zone or zones created under the River  
2           Edge Redevelopment Zone Act, and conducts  
3           substantially all of its operations in a River Edge  
4           Redevelopment Zone or zones. This subparagraph (J) is  
5           exempt from the provisions of Section 250;

6           (K) An amount equal to those dividends included in  
7           such total that were paid by a corporation that  
8           conducts business operations in a federally designated  
9           Foreign Trade Zone or Sub-Zone and that is designated a  
10          High Impact Business located in Illinois; provided  
11          that dividends eligible for the deduction provided in  
12          subparagraph (J) of paragraph (2) of this subsection  
13          shall not be eligible for the deduction provided under  
14          this subparagraph (K);

15          (L) For taxable years ending after December 31,  
16          1983, an amount equal to all social security benefits  
17          and railroad retirement benefits included in such  
18          total pursuant to Sections 72(r) and 86 of the Internal  
19          Revenue Code;

20          (M) With the exception of any amounts subtracted  
21          under subparagraph (N), an amount equal to the sum of  
22          all amounts disallowed as deductions by (i) Sections  
23          171(a) (2), and 265(2) of the Internal Revenue Code,  
24          and all amounts of expenses allocable to interest and  
25          disallowed as deductions by Section 265(1) of the  
26          Internal Revenue Code; and (ii) for taxable years

1 ending on or after August 13, 1999, Sections 171(a)(2),  
2 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue  
3 Code, plus, for taxable years ending on or after  
4 December 31, 2011, Section 45G(e)(3) of the Internal  
5 Revenue Code and, for taxable years ending on or after  
6 December 31, 2008, any amount included in gross income  
7 under Section 87 of the Internal Revenue Code; the  
8 provisions of this subparagraph are exempt from the  
9 provisions of Section 250;

10 (N) An amount equal to all amounts included in such  
11 total which are exempt from taxation by this State  
12 either by reason of its statutes or Constitution or by  
13 reason of the Constitution, treaties or statutes of the  
14 United States; provided that, in the case of any  
15 statute of this State that exempts income derived from  
16 bonds or other obligations from the tax imposed under  
17 this Act, the amount exempted shall be the interest net  
18 of bond premium amortization;

19 (O) An amount equal to any contribution made to a  
20 job training project established pursuant to the Tax  
21 Increment Allocation Redevelopment Act;

22 (P) An amount equal to the amount of the deduction  
23 used to compute the federal income tax credit for  
24 restoration of substantial amounts held under claim of  
25 right for the taxable year pursuant to Section 1341 of  
26 the Internal Revenue Code or of any itemized deduction

1 taken from adjusted gross income in the computation of  
2 taxable income for restoration of substantial amounts  
3 held under claim of right for the taxable year;

4 (Q) An amount equal to any amounts included in such  
5 total, received by the taxpayer as an acceleration in  
6 the payment of life, endowment or annuity benefits in  
7 advance of the time they would otherwise be payable as  
8 an indemnity for a terminal illness;

9 (R) An amount equal to the amount of any federal or  
10 State bonus paid to veterans of the Persian Gulf War;

11 (S) An amount, to the extent included in adjusted  
12 gross income, equal to the amount of a contribution  
13 made in the taxable year on behalf of the taxpayer to a  
14 medical care savings account established under the  
15 Medical Care Savings Account Act or the Medical Care  
16 Savings Account Act of 2000 to the extent the  
17 contribution is accepted by the account administrator  
18 as provided in that Act;

19 (T) An amount, to the extent included in adjusted  
20 gross income, equal to the amount of interest earned in  
21 the taxable year on a medical care savings account  
22 established under the Medical Care Savings Account Act  
23 or the Medical Care Savings Account Act of 2000 on  
24 behalf of the taxpayer, other than interest added  
25 pursuant to item (D-5) of this paragraph (2);

26 (U) For one taxable year beginning on or after

1           January 1, 1994, an amount equal to the total amount of  
2           tax imposed and paid under subsections (a) and (b) of  
3           Section 201 of this Act on grant amounts received by  
4           the taxpayer under the Nursing Home Grant Assistance  
5           Act during the taxpayer's taxable years 1992 and 1993;

6           (V) Beginning with tax years ending on or after  
7           December 31, 1995 and ending with tax years ending on  
8           or before December 31, 2004, an amount equal to the  
9           amount paid by a taxpayer who is a self-employed  
10          taxpayer, a partner of a partnership, or a shareholder  
11          in a Subchapter S corporation for health insurance or  
12          long-term care insurance for that taxpayer or that  
13          taxpayer's spouse or dependents, to the extent that the  
14          amount paid for that health insurance or long-term care  
15          insurance may be deducted under Section 213 of the  
16          Internal Revenue Code, has not been deducted on the  
17          federal income tax return of the taxpayer, and does not  
18          exceed the taxable income attributable to that  
19          taxpayer's income, self-employment income, or  
20          Subchapter S corporation income; except that no  
21          deduction shall be allowed under this item (V) if the  
22          taxpayer is eligible to participate in any health  
23          insurance or long-term care insurance plan of an  
24          employer of the taxpayer or the taxpayer's spouse. The  
25          amount of the health insurance and long-term care  
26          insurance subtracted under this item (V) shall be

1           determined by multiplying total health insurance and  
2           long-term care insurance premiums paid by the taxpayer  
3           times a number that represents the fractional  
4           percentage of eligible medical expenses under Section  
5           213 of the Internal Revenue Code of 1986 not actually  
6           deducted on the taxpayer's federal income tax return;

7           (W) For taxable years beginning on or after January  
8           1, 1998, all amounts included in the taxpayer's federal  
9           gross income in the taxable year from amounts converted  
10          from a regular IRA to a Roth IRA. This paragraph is  
11          exempt from the provisions of Section 250;

12          (X) For taxable year 1999 and thereafter, an amount  
13          equal to the amount of any (i) distributions, to the  
14          extent includible in gross income for federal income  
15          tax purposes, made to the taxpayer because of his or  
16          her status as a victim of persecution for racial or  
17          religious reasons by Nazi Germany or any other Axis  
18          regime or as an heir of the victim and (ii) items of  
19          income, to the extent includible in gross income for  
20          federal income tax purposes, attributable to, derived  
21          from or in any way related to assets stolen from,  
22          hidden from, or otherwise lost to a victim of  
23          persecution for racial or religious reasons by Nazi  
24          Germany or any other Axis regime immediately prior to,  
25          during, and immediately after World War II, including,  
26          but not limited to, interest on the proceeds receivable

1 as insurance under policies issued to a victim of  
2 persecution for racial or religious reasons by Nazi  
3 Germany or any other Axis regime by European insurance  
4 companies immediately prior to and during World War II;  
5 provided, however, this subtraction from federal  
6 adjusted gross income does not apply to assets acquired  
7 with such assets or with the proceeds from the sale of  
8 such assets; provided, further, this paragraph shall  
9 only apply to a taxpayer who was the first recipient of  
10 such assets after their recovery and who is a victim of  
11 persecution for racial or religious reasons by Nazi  
12 Germany or any other Axis regime or as an heir of the  
13 victim. The amount of and the eligibility for any  
14 public assistance, benefit, or similar entitlement is  
15 not affected by the inclusion of items (i) and (ii) of  
16 this paragraph in gross income for federal income tax  
17 purposes. This paragraph is exempt from the provisions  
18 of Section 250;

19 (Y) For taxable years beginning on or after January  
20 1, 2002 and ending on or before December 31, 2004,  
21 moneys contributed in the taxable year to a College  
22 Savings Pool account under Section 16.5 of the State  
23 Treasurer Act, except that amounts excluded from gross  
24 income under Section 529(c)(3)(C)(i) of the Internal  
25 Revenue Code shall not be considered moneys  
26 contributed under this subparagraph (Y). For taxable

1 years beginning on or after January 1, 2005, a maximum  
2 of \$10,000 contributed in the taxable year to (i) a  
3 College Savings Pool account under Section 16.5 of the  
4 State Treasurer Act or (ii) the Illinois Prepaid  
5 Tuition Trust Fund, except that amounts excluded from  
6 gross income under Section 529(c)(3)(C)(i) of the  
7 Internal Revenue Code shall not be considered moneys  
8 contributed under this subparagraph (Y). For purposes  
9 of this subparagraph, contributions made by an  
10 employer on behalf of an employee, or matching  
11 contributions made by an employee, shall be treated as  
12 made by the employee. This subparagraph (Y) is exempt  
13 from the provisions of Section 250;

14 (Z) For taxable years 2001 and thereafter, for the  
15 taxable year in which the bonus depreciation deduction  
16 is taken on the taxpayer's federal income tax return  
17 under subsection (k) of Section 168 of the Internal  
18 Revenue Code and for each applicable taxable year  
19 thereafter, an amount equal to "x", where:

20 (1) "y" equals the amount of the depreciation  
21 deduction taken for the taxable year on the  
22 taxpayer's federal income tax return on property  
23 for which the bonus depreciation deduction was  
24 taken in any year under subsection (k) of Section  
25 168 of the Internal Revenue Code, but not including  
26 the bonus depreciation deduction;



1 (2) for taxable years ending on or before  
2 December 31, 2005, "x" equals "y" multiplied by 30  
3 and then divided by 70 (or "y" multiplied by  
4 0.429); and

5 (3) for taxable years ending after December  
6 31, 2005:

7 (i) for property on which a bonus  
8 depreciation deduction of 30% of the adjusted  
9 basis was taken, "x" equals "y" multiplied by  
10 30 and then divided by 70 (or "y" multiplied by  
11 0.429); and

12 (ii) for property on which a bonus  
13 depreciation deduction of 50% of the adjusted  
14 basis was taken, "x" equals "y" multiplied by  
15 1.0.

16 The aggregate amount deducted under this  
17 subparagraph in all taxable years for any one piece of  
18 property may not exceed the amount of the bonus  
19 depreciation deduction taken on that property on the  
20 taxpayer's federal income tax return under subsection  
21 (k) of Section 168 of the Internal Revenue Code. This  
22 subparagraph (Z) is exempt from the provisions of  
23 Section 250;

24 (AA) If the taxpayer sells, transfers, abandons,  
25 or otherwise disposes of property for which the  
26 taxpayer was required in any taxable year to make an

1 addition modification under subparagraph (D-15), then  
2 an amount equal to that addition modification.

3 If the taxpayer continues to own property through  
4 the last day of the last tax year for which the  
5 taxpayer may claim a depreciation deduction for  
6 federal income tax purposes and for which the taxpayer  
7 was required in any taxable year to make an addition  
8 modification under subparagraph (D-15), then an amount  
9 equal to that addition modification.

10 The taxpayer is allowed to take the deduction under  
11 this subparagraph only once with respect to any one  
12 piece of property.

13 This subparagraph (AA) is exempt from the  
14 provisions of Section 250;

15 (BB) Any amount included in adjusted gross income,  
16 other than salary, received by a driver in a  
17 ridesharing arrangement using a motor vehicle;

18 (CC) The amount of (i) any interest income (net of  
19 the deductions allocable thereto) taken into account  
20 for the taxable year with respect to a transaction with  
21 a taxpayer that is required to make an addition  
22 modification with respect to such transaction under  
23 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
24 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
25 the amount of that addition modification, and (ii) any  
26 income from intangible property (net of the deductions

1 allocable thereto) taken into account for the taxable  
2 year with respect to a transaction with a taxpayer that  
3 is required to make an addition modification with  
4 respect to such transaction under Section  
5 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
6 203(d)(2)(D-8), but not to exceed the amount of that  
7 addition modification. This subparagraph (CC) is  
8 exempt from the provisions of Section 250;

9 (DD) An amount equal to the interest income taken  
10 into account for the taxable year (net of the  
11 deductions allocable thereto) with respect to  
12 transactions with (i) a foreign person who would be a  
13 member of the taxpayer's unitary business group but for  
14 the fact that the foreign person's business activity  
15 outside the United States is 80% or more of that  
16 person's total business activity and (ii) for taxable  
17 years ending on or after December 31, 2008, to a person  
18 who would be a member of the same unitary business  
19 group but for the fact that the person is prohibited  
20 under Section 1501(a)(27) from being included in the  
21 unitary business group because he or she is ordinarily  
22 required to apportion business income under different  
23 subsections of Section 304, but not to exceed the  
24 addition modification required to be made for the same  
25 taxable year under Section 203(a)(2)(D-17) for  
26 interest paid, accrued, or incurred, directly or

1 indirectly, to the same person. This subparagraph (DD)  
2 is exempt from the provisions of Section 250;

3 (EE) An amount equal to the income from intangible  
4 property taken into account for the taxable year (net  
5 of the deductions allocable thereto) with respect to  
6 transactions with (i) a foreign person who would be a  
7 member of the taxpayer's unitary business group but for  
8 the fact that the foreign person's business activity  
9 outside the United States is 80% or more of that  
10 person's total business activity and (ii) for taxable  
11 years ending on or after December 31, 2008, to a person  
12 who would be a member of the same unitary business  
13 group but for the fact that the person is prohibited  
14 under Section 1501(a)(27) from being included in the  
15 unitary business group because he or she is ordinarily  
16 required to apportion business income under different  
17 subsections of Section 304, but not to exceed the  
18 addition modification required to be made for the same  
19 taxable year under Section 203(a)(2)(D-18) for  
20 intangible expenses and costs paid, accrued, or  
21 incurred, directly or indirectly, to the same foreign  
22 person. This subparagraph (EE) is exempt from the  
23 provisions of Section 250;

24 (FF) An amount equal to any amount awarded to the  
25 taxpayer during the taxable year by the Court of Claims  
26 under subsection (c) of Section 8 of the Court of

1 Claims Act for time unjustly served in a State prison.  
2 This subparagraph (FF) is exempt from the provisions of  
3 Section 250; and

4 (GG) For taxable years ending on or after December  
5 31, 2011, in the case of a taxpayer who was required to  
6 add back any insurance premiums under Section  
7 203(a)(2)(D-19), such taxpayer may elect to subtract  
8 that part of a reimbursement received from the  
9 insurance company equal to the amount of the expense or  
10 loss (including expenses incurred by the insurance  
11 company) that would have been taken into account as a  
12 deduction for federal income tax purposes if the  
13 expense or loss had been uninsured. If a taxpayer makes  
14 the election provided for by this subparagraph (GG),  
15 the insurer to which the premiums were paid must add  
16 back to income the amount subtracted by the taxpayer  
17 pursuant to this subparagraph (GG). This subparagraph  
18 (GG) is exempt from the provisions of Section 250.

19 (b) Corporations.

20 (1) In general. In the case of a corporation, base  
21 income means an amount equal to the taxpayer's taxable  
22 income for the taxable year as modified by paragraph (2).

23 (2) Modifications. The taxable income referred to in  
24 paragraph (1) shall be modified by adding thereto the sum  
25 of the following amounts:

1           (A) An amount equal to all amounts paid or accrued  
2 to the taxpayer as interest and all distributions  
3 received from regulated investment companies during  
4 the taxable year to the extent excluded from gross  
5 income in the computation of taxable income;

6           (B) An amount equal to the amount of tax imposed by  
7 this Act to the extent deducted from gross income in  
8 the computation of taxable income for the taxable year;

9           (C) In the case of a regulated investment company,  
10 an amount equal to the excess of (i) the net long-term  
11 capital gain for the taxable year, over (ii) the amount  
12 of the capital gain dividends designated as such in  
13 accordance with Section 852(b)(3)(C) of the Internal  
14 Revenue Code and any amount designated under Section  
15 852(b)(3)(D) of the Internal Revenue Code,  
16 attributable to the taxable year (this amendatory Act  
17 of 1995 (Public Act 89-89) is declarative of existing  
18 law and is not a new enactment);

19           (D) The amount of any net operating loss deduction  
20 taken in arriving at taxable income, other than a net  
21 operating loss carried forward from a taxable year  
22 ending prior to December 31, 1986;

23           (E) For taxable years in which a net operating loss  
24 carryback or carryforward from a taxable year ending  
25 prior to December 31, 1986 is an element of taxable  
26 income under paragraph (1) of subsection (e) or

1           subparagraph (E) of paragraph (2) of subsection (e),  
2           the amount by which addition modifications other than  
3           those provided by this subparagraph (E) exceeded  
4           subtraction modifications in such earlier taxable  
5           year, with the following limitations applied in the  
6           order that they are listed:

7                   (i) the addition modification relating to the  
8                   net operating loss carried back or forward to the  
9                   taxable year from any taxable year ending prior to  
10                  December 31, 1986 shall be reduced by the amount of  
11                  addition modification under this subparagraph (E)  
12                  which related to that net operating loss and which  
13                  was taken into account in calculating the base  
14                  income of an earlier taxable year, and

15                  (ii) the addition modification relating to the  
16                  net operating loss carried back or forward to the  
17                  taxable year from any taxable year ending prior to  
18                  December 31, 1986 shall not exceed the amount of  
19                  such carryback or carryforward;

20                  For taxable years in which there is a net operating  
21                  loss carryback or carryforward from more than one other  
22                  taxable year ending prior to December 31, 1986, the  
23                  addition modification provided in this subparagraph  
24                  (E) shall be the sum of the amounts computed  
25                  independently under the preceding provisions of this  
26                  subparagraph (E) for each such taxable year;

1 (E-5) For taxable years ending after December 31,  
2 1997, an amount equal to any eligible remediation costs  
3 that the corporation deducted in computing adjusted  
4 gross income and for which the corporation claims a  
5 credit under subsection (l) of Section 201;

6 (E-10) For taxable years 2001 and thereafter, an  
7 amount equal to the bonus depreciation deduction taken  
8 on the taxpayer's federal income tax return for the  
9 taxable year under subsection (k) of Section 168 of the  
10 Internal Revenue Code;

11 (E-11) If the taxpayer sells, transfers, abandons,  
12 or otherwise disposes of property for which the  
13 taxpayer was required in any taxable year to make an  
14 addition modification under subparagraph (E-10), then  
15 an amount equal to the aggregate amount of the  
16 deductions taken in all taxable years under  
17 subparagraph (T) with respect to that property.

18 If the taxpayer continues to own property through  
19 the last day of the last tax year for which the  
20 taxpayer may claim a depreciation deduction for  
21 federal income tax purposes and for which the taxpayer  
22 was allowed in any taxable year to make a subtraction  
23 modification under subparagraph (T), then an amount  
24 equal to that subtraction modification.

25 The taxpayer is required to make the addition  
26 modification under this subparagraph only once with



1 respect to any one piece of property;

2 (E-12) An amount equal to the amount otherwise  
3 allowed as a deduction in computing base income for  
4 interest paid, accrued, or incurred, directly or  
5 indirectly, (i) for taxable years ending on or after  
6 December 31, 2004, to a foreign person who would be a  
7 member of the same unitary business group but for the  
8 fact the foreign person's business activity outside  
9 the United States is 80% or more of the foreign  
10 person's total business activity and (ii) for taxable  
11 years ending on or after December 31, 2008, to a person  
12 who would be a member of the same unitary business  
13 group but for the fact that the person is prohibited  
14 under Section 1501(a)(27) from being included in the  
15 unitary business group because he or she is ordinarily  
16 required to apportion business income under different  
17 subsections of Section 304. The addition modification  
18 required by this subparagraph shall be reduced to the  
19 extent that dividends were included in base income of  
20 the unitary group for the same taxable year and  
21 received by the taxpayer or by a member of the  
22 taxpayer's unitary business group (including amounts  
23 included in gross income pursuant to Sections 951  
24 through 964 of the Internal Revenue Code and amounts  
25 included in gross income under Section 78 of the  
26 Internal Revenue Code) with respect to the stock of the

1 same person to whom the interest was paid, accrued, or  
2 incurred.

3 This paragraph shall not apply to the following:

4 (i) an item of interest paid, accrued, or  
5 incurred, directly or indirectly, to a person who  
6 is subject in a foreign country or state, other  
7 than a state which requires mandatory unitary  
8 reporting, to a tax on or measured by net income  
9 with respect to such interest; or

10 (ii) an item of interest paid, accrued, or  
11 incurred, directly or indirectly, to a person if  
12 the taxpayer can establish, based on a  
13 preponderance of the evidence, both of the  
14 following:

15 (a) the person, during the same taxable  
16 year, paid, accrued, or incurred, the interest  
17 to a person that is not a related member, and

18 (b) the transaction giving rise to the  
19 interest expense between the taxpayer and the  
20 person did not have as a principal purpose the  
21 avoidance of Illinois income tax, and is paid  
22 pursuant to a contract or agreement that  
23 reflects an arm's-length interest rate and  
24 terms; or

25 (iii) the taxpayer can establish, based on  
26 clear and convincing evidence, that the interest

1           paid, accrued, or incurred relates to a contract or  
2           agreement entered into at arm's-length rates and  
3           terms and the principal purpose for the payment is  
4           not federal or Illinois tax avoidance; or

5           (iv) an item of interest paid, accrued, or  
6           incurred, directly or indirectly, to a person if  
7           the taxpayer establishes by clear and convincing  
8           evidence that the adjustments are unreasonable; or  
9           if the taxpayer and the Director agree in writing  
10          to the application or use of an alternative method  
11          of apportionment under Section 304(f).

12          Nothing in this subsection shall preclude the  
13          Director from making any other adjustment  
14          otherwise allowed under Section 404 of this Act for  
15          any tax year beginning after the effective date of  
16          this amendment provided such adjustment is made  
17          pursuant to regulation adopted by the Department  
18          and such regulations provide methods and standards  
19          by which the Department will utilize its authority  
20          under Section 404 of this Act;

21          (E-13) An amount equal to the amount of intangible  
22          expenses and costs otherwise allowed as a deduction in  
23          computing base income, and that were paid, accrued, or  
24          incurred, directly or indirectly, (i) for taxable  
25          years ending on or after December 31, 2004, to a  
26          foreign person who would be a member of the same

1 unitary business group but for the fact that the  
2 foreign person's business activity outside the United  
3 States is 80% or more of that person's total business  
4 activity and (ii) for taxable years ending on or after  
5 December 31, 2008, to a person who would be a member of  
6 the same unitary business group but for the fact that  
7 the person is prohibited under Section 1501(a)(27)  
8 from being included in the unitary business group  
9 because he or she is ordinarily required to apportion  
10 business income under different subsections of Section  
11 304. The addition modification required by this  
12 subparagraph shall be reduced to the extent that  
13 dividends were included in base income of the unitary  
14 group for the same taxable year and received by the  
15 taxpayer or by a member of the taxpayer's unitary  
16 business group (including amounts included in gross  
17 income pursuant to Sections 951 through 964 of the  
18 Internal Revenue Code and amounts included in gross  
19 income under Section 78 of the Internal Revenue Code)  
20 with respect to the stock of the same person to whom  
21 the intangible expenses and costs were directly or  
22 indirectly paid, incurred, or accrued. The preceding  
23 sentence shall not apply to the extent that the same  
24 dividends caused a reduction to the addition  
25 modification required under Section 203(b)(2)(E-12) of  
26 this Act. As used in this subparagraph, the term

1 "intangible expenses and costs" includes (1) expenses,  
2 losses, and costs for, or related to, the direct or  
3 indirect acquisition, use, maintenance or management,  
4 ownership, sale, exchange, or any other disposition of  
5 intangible property; (2) losses incurred, directly or  
6 indirectly, from factoring transactions or discounting  
7 transactions; (3) royalty, patent, technical, and  
8 copyright fees; (4) licensing fees; and (5) other  
9 similar expenses and costs. For purposes of this  
10 subparagraph, "intangible property" includes patents,  
11 patent applications, trade names, trademarks, service  
12 marks, copyrights, mask works, trade secrets, and  
13 similar types of intangible assets.

14 This paragraph shall not apply to the following:

15 (i) any item of intangible expenses or costs  
16 paid, accrued, or incurred, directly or  
17 indirectly, from a transaction with a person who is  
18 subject in a foreign country or state, other than a  
19 state which requires mandatory unitary reporting,  
20 to a tax on or measured by net income with respect  
21 to such item; or

22 (ii) any item of intangible expense or cost  
23 paid, accrued, or incurred, directly or  
24 indirectly, if the taxpayer can establish, based  
25 on a preponderance of the evidence, both of the  
26 following:

1 (a) the person during the same taxable  
2 year paid, accrued, or incurred, the  
3 intangible expense or cost to a person that is  
4 not a related member, and

5 (b) the transaction giving rise to the  
6 intangible expense or cost between the  
7 taxpayer and the person did not have as a  
8 principal purpose the avoidance of Illinois  
9 income tax, and is paid pursuant to a contract  
10 or agreement that reflects arm's-length terms;  
11 or

12 (iii) any item of intangible expense or cost  
13 paid, accrued, or incurred, directly or  
14 indirectly, from a transaction with a person if the  
15 taxpayer establishes by clear and convincing  
16 evidence, that the adjustments are unreasonable;  
17 or if the taxpayer and the Director agree in  
18 writing to the application or use of an alternative  
19 method of apportionment under Section 304(f);

20 Nothing in this subsection shall preclude the  
21 Director from making any other adjustment  
22 otherwise allowed under Section 404 of this Act for  
23 any tax year beginning after the effective date of  
24 this amendment provided such adjustment is made  
25 pursuant to regulation adopted by the Department  
26 and such regulations provide methods and standards

1           by which the Department will utilize its authority  
2           under Section 404 of this Act;

3           (E-14) For taxable years ending on or after  
4           December 31, 2008, an amount equal to the amount of  
5           insurance premium expenses and costs otherwise allowed  
6           as a deduction in computing base income, and that were  
7           paid, accrued, or incurred, directly or indirectly, to  
8           a person who would be a member of the same unitary  
9           business group but for the fact that the person is  
10          prohibited under Section 1501(a)(27) from being  
11          included in the unitary business group because he or  
12          she is ordinarily required to apportion business  
13          income under different subsections of Section 304. The  
14          addition modification required by this subparagraph  
15          shall be reduced to the extent that dividends were  
16          included in base income of the unitary group for the  
17          same taxable year and received by the taxpayer or by a  
18          member of the taxpayer's unitary business group  
19          (including amounts included in gross income under  
20          Sections 951 through 964 of the Internal Revenue Code  
21          and amounts included in gross income under Section 78  
22          of the Internal Revenue Code) with respect to the stock  
23          of the same person to whom the premiums and costs were  
24          directly or indirectly paid, incurred, or accrued. The  
25          preceding sentence does not apply to the extent that  
26          the same dividends caused a reduction to the addition

1 modification required under Section 203(b)(2)(E-12) or  
2 Section 203(b)(2)(E-13) of this Act;

3 (E-15) For taxable years beginning after December  
4 31, 2008, any deduction for dividends paid by a captive  
5 real estate investment trust that is allowed to a real  
6 estate investment trust under Section 857(b)(2)(B) of  
7 the Internal Revenue Code for dividends paid;

8 (E-16) An amount equal to the credit allowable to  
9 the taxpayer under Section 218(a) of this Act,  
10 determined without regard to Section 218(c) of this  
11 Act;

12 (E-17) For taxable years beginning on or after  
13 January 1, 2017, an amount equal to the deduction  
14 allowed under Section 199 of the Internal Revenue Code  
15 for the taxable year;

16 and by deducting from the total so obtained the sum of the  
17 following amounts:

18 (F) An amount equal to the amount of any tax  
19 imposed by this Act which was refunded to the taxpayer  
20 and included in such total for the taxable year;

21 (G) An amount equal to any amount included in such  
22 total under Section 78 of the Internal Revenue Code;

23 (H) In the case of a regulated investment company,  
24 an amount equal to the amount of exempt interest  
25 dividends as defined in subsection (b)(5) of Section  
26 852 of the Internal Revenue Code, paid to shareholders



1 for the taxable year;

2 (I) With the exception of any amounts subtracted  
3 under subparagraph (J), an amount equal to the sum of  
4 all amounts disallowed as deductions by (i) Sections  
5 171(a) (2), and 265(a) (2) and amounts disallowed as  
6 interest expense by Section 291(a) (3) of the Internal  
7 Revenue Code, and all amounts of expenses allocable to  
8 interest and disallowed as deductions by Section  
9 265(a) (1) of the Internal Revenue Code; and (ii) for  
10 taxable years ending on or after August 13, 1999,  
11 Sections 171(a) (2), 265, 280C, 291(a) (3), and  
12 832(b) (5) (B) (i) of the Internal Revenue Code, plus,  
13 for tax years ending on or after December 31, 2011,  
14 amounts disallowed as deductions by Section 45G(e) (3)  
15 of the Internal Revenue Code and, for taxable years  
16 ending on or after December 31, 2008, any amount  
17 included in gross income under Section 87 of the  
18 Internal Revenue Code and the policyholders' share of  
19 tax-exempt interest of a life insurance company under  
20 Section 807(a) (2) (B) of the Internal Revenue Code (in  
21 the case of a life insurance company with gross income  
22 from a decrease in reserves for the tax year) or  
23 Section 807(b) (1) (B) of the Internal Revenue Code (in  
24 the case of a life insurance company allowed a  
25 deduction for an increase in reserves for the tax  
26 year); the provisions of this subparagraph are exempt

1 from the provisions of Section 250;

2 (J) An amount equal to all amounts included in such  
3 total which are exempt from taxation by this State  
4 either by reason of its statutes or Constitution or by  
5 reason of the Constitution, treaties or statutes of the  
6 United States; provided that, in the case of any  
7 statute of this State that exempts income derived from  
8 bonds or other obligations from the tax imposed under  
9 this Act, the amount exempted shall be the interest net  
10 of bond premium amortization;

11 (K) An amount equal to those dividends included in  
12 such total which were paid by a corporation which  
13 conducts business operations in a River Edge  
14 Redevelopment Zone or zones created under the River  
15 Edge Redevelopment Zone Act and conducts substantially  
16 all of its operations in a River Edge Redevelopment  
17 Zone or zones. This subparagraph (K) is exempt from the  
18 provisions of Section 250;

19 (L) An amount equal to those dividends included in  
20 such total that were paid by a corporation that  
21 conducts business operations in a federally designated  
22 Foreign Trade Zone or Sub-Zone and that is designated a  
23 High Impact Business located in Illinois; provided  
24 that dividends eligible for the deduction provided in  
25 subparagraph (K) of paragraph 2 of this subsection  
26 shall not be eligible for the deduction provided under

1           this subparagraph (L);

2           (M) For any taxpayer that is a financial  
3 organization within the meaning of Section 304(c) of  
4 this Act, an amount included in such total as interest  
5 income from a loan or loans made by such taxpayer to a  
6 borrower, to the extent that such a loan is secured by  
7 property which is eligible for the River Edge  
8 Redevelopment Zone Investment Credit. To determine the  
9 portion of a loan or loans that is secured by property  
10 eligible for a Section 201(f) investment credit to the  
11 borrower, the entire principal amount of the loan or  
12 loans between the taxpayer and the borrower should be  
13 divided into the basis of the Section 201(f) investment  
14 credit property which secures the loan or loans, using  
15 for this purpose the original basis of such property on  
16 the date that it was placed in service in the River  
17 Edge Redevelopment Zone. The subtraction modification  
18 available to taxpayer in any year under this subsection  
19 shall be that portion of the total interest paid by the  
20 borrower with respect to such loan attributable to the  
21 eligible property as calculated under the previous  
22 sentence. This subparagraph (M) is exempt from the  
23 provisions of Section 250;

24           (M-1) For any taxpayer that is a financial  
25 organization within the meaning of Section 304(c) of  
26 this Act, an amount included in such total as interest

1 income from a loan or loans made by such taxpayer to a  
2 borrower, to the extent that such a loan is secured by  
3 property which is eligible for the High Impact Business  
4 Investment Credit. To determine the portion of a loan  
5 or loans that is secured by property eligible for a  
6 Section 201(h) investment credit to the borrower, the  
7 entire principal amount of the loan or loans between  
8 the taxpayer and the borrower should be divided into  
9 the basis of the Section 201(h) investment credit  
10 property which secures the loan or loans, using for  
11 this purpose the original basis of such property on the  
12 date that it was placed in service in a federally  
13 designated Foreign Trade Zone or Sub-Zone located in  
14 Illinois. No taxpayer that is eligible for the  
15 deduction provided in subparagraph (M) of paragraph  
16 (2) of this subsection shall be eligible for the  
17 deduction provided under this subparagraph (M-1). The  
18 subtraction modification available to taxpayers in any  
19 year under this subsection shall be that portion of the  
20 total interest paid by the borrower with respect to  
21 such loan attributable to the eligible property as  
22 calculated under the previous sentence;

23 (N) Two times any contribution made during the  
24 taxable year to a designated zone organization to the  
25 extent that the contribution (i) qualifies as a  
26 charitable contribution under subsection (c) of

1 Section 170 of the Internal Revenue Code and (ii) must,  
2 by its terms, be used for a project approved by the  
3 Department of Commerce and Economic Opportunity under  
4 Section 11 of the Illinois Enterprise Zone Act or under  
5 Section 10-10 of the River Edge Redevelopment Zone Act.  
6 This subparagraph (N) is exempt from the provisions of  
7 Section 250;

8 (O) An amount equal to: (i) 85% for taxable years  
9 ending on or before December 31, 1992, or, a percentage  
10 equal to the percentage allowable under Section  
11 243(a)(1) of the Internal Revenue Code of 1986 for  
12 taxable years ending after December 31, 1992, of the  
13 amount by which dividends included in taxable income  
14 and received from a corporation that is not created or  
15 organized under the laws of the United States or any  
16 state or political subdivision thereof, including, for  
17 taxable years ending on or after December 31, 1988,  
18 dividends received or deemed received or paid or deemed  
19 paid under Sections 951 through 965 of the Internal  
20 Revenue Code, exceed the amount of the modification  
21 provided under subparagraph (G) of paragraph (2) of  
22 this subsection (b) which is related to such dividends,  
23 and including, for taxable years ending on or after  
24 December 31, 2008, dividends received from a captive  
25 real estate investment trust; plus (ii) 100% of the  
26 amount by which dividends, included in taxable income

1 and received, including, for taxable years ending on or  
2 after December 31, 1988, dividends received or deemed  
3 received or paid or deemed paid under Sections 951  
4 through 964 of the Internal Revenue Code and including,  
5 for taxable years ending on or after December 31, 2008,  
6 dividends received from a captive real estate  
7 investment trust, from any such corporation specified  
8 in clause (i) that would but for the provisions of  
9 Section 1504 (b) (3) of the Internal Revenue Code be  
10 treated as a member of the affiliated group which  
11 includes the dividend recipient, exceed the amount of  
12 the modification provided under subparagraph (G) of  
13 paragraph (2) of this subsection (b) which is related  
14 to such dividends. This subparagraph (O) is exempt from  
15 the provisions of Section 250 of this Act;

16 (P) An amount equal to any contribution made to a  
17 job training project established pursuant to the Tax  
18 Increment Allocation Redevelopment Act;

19 (Q) An amount equal to the amount of the deduction  
20 used to compute the federal income tax credit for  
21 restoration of substantial amounts held under claim of  
22 right for the taxable year pursuant to Section 1341 of  
23 the Internal Revenue Code;

24 (R) On and after July 20, 1999, in the case of an  
25 attorney-in-fact with respect to whom an interinsurer  
26 or a reciprocal insurer has made the election under

1 Section 835 of the Internal Revenue Code, 26 U.S.C.  
2 835, an amount equal to the excess, if any, of the  
3 amounts paid or incurred by that interinsurer or  
4 reciprocal insurer in the taxable year to the  
5 attorney-in-fact over the deduction allowed to that  
6 interinsurer or reciprocal insurer with respect to the  
7 attorney-in-fact under Section 835(b) of the Internal  
8 Revenue Code for the taxable year; the provisions of  
9 this subparagraph are exempt from the provisions of  
10 Section 250;

11 (S) For taxable years ending on or after December  
12 31, 1997, in the case of a Subchapter S corporation, an  
13 amount equal to all amounts of income allocable to a  
14 shareholder subject to the Personal Property Tax  
15 Replacement Income Tax imposed by subsections (c) and  
16 (d) of Section 201 of this Act, including amounts  
17 allocable to organizations exempt from federal income  
18 tax by reason of Section 501(a) of the Internal Revenue  
19 Code. This subparagraph (S) is exempt from the  
20 provisions of Section 250;

21 (T) For taxable years 2001 and thereafter, for the  
22 taxable year in which the bonus depreciation deduction  
23 is taken on the taxpayer's federal income tax return  
24 under subsection (k) of Section 168 of the Internal  
25 Revenue Code and for each applicable taxable year  
26 thereafter, an amount equal to "x", where:

1           (1) "y" equals the amount of the depreciation  
2 deduction taken for the taxable year on the  
3 taxpayer's federal income tax return on property  
4 for which the bonus depreciation deduction was  
5 taken in any year under subsection (k) of Section  
6 168 of the Internal Revenue Code, but not including  
7 the bonus depreciation deduction;

8           (2) for taxable years ending on or before  
9 December 31, 2005, "x" equals "y" multiplied by 30  
10 and then divided by 70 (or "y" multiplied by  
11 0.429); and

12           (3) for taxable years ending after December  
13 31, 2005:

14           (i) for property on which a bonus  
15 depreciation deduction of 30% of the adjusted  
16 basis was taken, "x" equals "y" multiplied by  
17 30 and then divided by 70 (or "y" multiplied by  
18 0.429); and

19           (ii) for property on which a bonus  
20 depreciation deduction of 50% of the adjusted  
21 basis was taken, "x" equals "y" multiplied by  
22 1.0.

23           The aggregate amount deducted under this  
24 subparagraph in all taxable years for any one piece of  
25 property may not exceed the amount of the bonus  
26 depreciation deduction taken on that property on the



1 taxpayer's federal income tax return under subsection  
2 (k) of Section 168 of the Internal Revenue Code. This  
3 subparagraph (T) is exempt from the provisions of  
4 Section 250;

5 (U) If the taxpayer sells, transfers, abandons, or  
6 otherwise disposes of property for which the taxpayer  
7 was required in any taxable year to make an addition  
8 modification under subparagraph (E-10), then an amount  
9 equal to that addition modification.

10 If the taxpayer continues to own property through  
11 the last day of the last tax year for which the  
12 taxpayer may claim a depreciation deduction for  
13 federal income tax purposes and for which the taxpayer  
14 was required in any taxable year to make an addition  
15 modification under subparagraph (E-10), then an amount  
16 equal to that addition modification.

17 The taxpayer is allowed to take the deduction under  
18 this subparagraph only once with respect to any one  
19 piece of property.

20 This subparagraph (U) is exempt from the  
21 provisions of Section 250;

22 (V) The amount of: (i) any interest income (net of  
23 the deductions allocable thereto) taken into account  
24 for the taxable year with respect to a transaction with  
25 a taxpayer that is required to make an addition  
26 modification with respect to such transaction under

1           Section           203(a)(2)(D-17),           203(b)(2)(E-12),  
2           203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
3           the amount of such addition modification, (ii) any  
4           income from intangible property (net of the deductions  
5           allocable thereto) taken into account for the taxable  
6           year with respect to a transaction with a taxpayer that  
7           is required to make an addition modification with  
8           respect to such transaction under Section  
9           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
10          203(d)(2)(D-8), but not to exceed the amount of such  
11          addition modification, and (iii) any insurance premium  
12          income (net of deductions allocable thereto) taken  
13          into account for the taxable year with respect to a  
14          transaction with a taxpayer that is required to make an  
15          addition modification with respect to such transaction  
16          under           Section           203(a)(2)(D-19),           Section  
17          203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
18          203(d)(2)(D-9), but not to exceed the amount of that  
19          addition modification. This subparagraph (V) is exempt  
20          from the provisions of Section 250;

21                 (W) An amount equal to the interest income taken  
22                 into account for the taxable year (net of the  
23                 deductions allocable thereto) with respect to  
24                 transactions with (i) a foreign person who would be a  
25                 member of the taxpayer's unitary business group but for  
26                 the fact that the foreign person's business activity

1 outside the United States is 80% or more of that  
2 person's total business activity and (ii) for taxable  
3 years ending on or after December 31, 2008, to a person  
4 who would be a member of the same unitary business  
5 group but for the fact that the person is prohibited  
6 under Section 1501(a)(27) from being included in the  
7 unitary business group because he or she is ordinarily  
8 required to apportion business income under different  
9 subsections of Section 304, but not to exceed the  
10 addition modification required to be made for the same  
11 taxable year under Section 203(b)(2)(E-12) for  
12 interest paid, accrued, or incurred, directly or  
13 indirectly, to the same person. This subparagraph (W)  
14 is exempt from the provisions of Section 250;

15 (X) An amount equal to the income from intangible  
16 property taken into account for the taxable year (net  
17 of the deductions allocable thereto) with respect to  
18 transactions with (i) a foreign person who would be a  
19 member of the taxpayer's unitary business group but for  
20 the fact that the foreign person's business activity  
21 outside the United States is 80% or more of that  
22 person's total business activity and (ii) for taxable  
23 years ending on or after December 31, 2008, to a person  
24 who would be a member of the same unitary business  
25 group but for the fact that the person is prohibited  
26 under Section 1501(a)(27) from being included in the

1 unitary business group because he or she is ordinarily  
2 required to apportion business income under different  
3 subsections of Section 304, but not to exceed the  
4 addition modification required to be made for the same  
5 taxable year under Section 203(b)(2)(E-13) for  
6 intangible expenses and costs paid, accrued, or  
7 incurred, directly or indirectly, to the same foreign  
8 person. This subparagraph (X) is exempt from the  
9 provisions of Section 250;

10 (Y) For taxable years ending on or after December  
11 31, 2011, in the case of a taxpayer who was required to  
12 add back any insurance premiums under Section  
13 203(b)(2)(E-14), such taxpayer may elect to subtract  
14 that part of a reimbursement received from the  
15 insurance company equal to the amount of the expense or  
16 loss (including expenses incurred by the insurance  
17 company) that would have been taken into account as a  
18 deduction for federal income tax purposes if the  
19 expense or loss had been uninsured. If a taxpayer makes  
20 the election provided for by this subparagraph (Y), the  
21 insurer to which the premiums were paid must add back  
22 to income the amount subtracted by the taxpayer  
23 pursuant to this subparagraph (Y). This subparagraph  
24 (Y) is exempt from the provisions of Section 250; and

25 (Z) The difference between the nondeductible  
26 controlled foreign corporation dividends under Section

1           965(e) (3) of the Internal Revenue Code over the taxable  
2           income of the taxpayer, computed without regard to  
3           Section 965(e) (2) (A) of the Internal Revenue Code, and  
4           without regard to any net operating loss deduction.  
5           This subparagraph (Z) is exempt from the provisions of  
6           Section 250.

7           (3) Special rule. For purposes of paragraph (2) (A),  
8           "gross income" in the case of a life insurance company, for  
9           tax years ending on and after December 31, 1994, and prior  
10          to December 31, 2011, shall mean the gross investment  
11          income for the taxable year and, for tax years ending on or  
12          after December 31, 2011, shall mean all amounts included in  
13          life insurance gross income under Section 803(a) (3) of the  
14          Internal Revenue Code.

15          (c) Trusts and estates.

16           (1) In general. In the case of a trust or estate, base  
17           income means an amount equal to the taxpayer's taxable  
18           income for the taxable year as modified by paragraph (2).

19           (2) Modifications. Subject to the provisions of  
20           paragraph (3), the taxable income referred to in paragraph  
21           (1) shall be modified by adding thereto the sum of the  
22           following amounts:

23           (A) An amount equal to all amounts paid or accrued  
24           to the taxpayer as interest or dividends during the  
25           taxable year to the extent excluded from gross income

1 in the computation of taxable income;

2 (B) In the case of (i) an estate, \$600; (ii) a  
3 trust which, under its governing instrument, is  
4 required to distribute all of its income currently,  
5 \$300; and (iii) any other trust, \$100, but in each such  
6 case, only to the extent such amount was deducted in  
7 the computation of taxable income;

8 (C) An amount equal to the amount of tax imposed by  
9 this Act to the extent deducted from gross income in  
10 the computation of taxable income for the taxable year;

11 (D) The amount of any net operating loss deduction  
12 taken in arriving at taxable income, other than a net  
13 operating loss carried forward from a taxable year  
14 ending prior to December 31, 1986;

15 (E) For taxable years in which a net operating loss  
16 carryback or carryforward from a taxable year ending  
17 prior to December 31, 1986 is an element of taxable  
18 income under paragraph (1) of subsection (e) or  
19 subparagraph (E) of paragraph (2) of subsection (e),  
20 the amount by which addition modifications other than  
21 those provided by this subparagraph (E) exceeded  
22 subtraction modifications in such taxable year, with  
23 the following limitations applied in the order that  
24 they are listed:

25 (i) the addition modification relating to the  
26 net operating loss carried back or forward to the

1 taxable year from any taxable year ending prior to  
2 December 31, 1986 shall be reduced by the amount of  
3 addition modification under this subparagraph (E)  
4 which related to that net operating loss and which  
5 was taken into account in calculating the base  
6 income of an earlier taxable year, and

7 (ii) the addition modification relating to the  
8 net operating loss carried back or forward to the  
9 taxable year from any taxable year ending prior to  
10 December 31, 1986 shall not exceed the amount of  
11 such carryback or carryforward;

12 For taxable years in which there is a net operating  
13 loss carryback or carryforward from more than one other  
14 taxable year ending prior to December 31, 1986, the  
15 addition modification provided in this subparagraph  
16 (E) shall be the sum of the amounts computed  
17 independently under the preceding provisions of this  
18 subparagraph (E) for each such taxable year;

19 (F) For taxable years ending on or after January 1,  
20 1989, an amount equal to the tax deducted pursuant to  
21 Section 164 of the Internal Revenue Code if the trust  
22 or estate is claiming the same tax for purposes of the  
23 Illinois foreign tax credit under Section 601 of this  
24 Act;

25 (G) An amount equal to the amount of the capital  
26 gain deduction allowable under the Internal Revenue

1 Code, to the extent deducted from gross income in the  
2 computation of taxable income;

3 (G-5) For taxable years ending after December 31,  
4 1997, an amount equal to any eligible remediation costs  
5 that the trust or estate deducted in computing adjusted  
6 gross income and for which the trust or estate claims a  
7 credit under subsection (l) of Section 201;

8 (G-10) For taxable years 2001 and thereafter, an  
9 amount equal to the bonus depreciation deduction taken  
10 on the taxpayer's federal income tax return for the  
11 taxable year under subsection (k) of Section 168 of the  
12 Internal Revenue Code; and

13 (G-11) If the taxpayer sells, transfers, abandons,  
14 or otherwise disposes of property for which the  
15 taxpayer was required in any taxable year to make an  
16 addition modification under subparagraph (G-10), then  
17 an amount equal to the aggregate amount of the  
18 deductions taken in all taxable years under  
19 subparagraph (R) with respect to that property.

20 If the taxpayer continues to own property through  
21 the last day of the last tax year for which the  
22 taxpayer may claim a depreciation deduction for  
23 federal income tax purposes and for which the taxpayer  
24 was allowed in any taxable year to make a subtraction  
25 modification under subparagraph (R), then an amount  
26 equal to that subtraction modification.



1           The taxpayer is required to make the addition  
2           modification under this subparagraph only once with  
3           respect to any one piece of property;

4           (G-12) An amount equal to the amount otherwise  
5           allowed as a deduction in computing base income for  
6           interest paid, accrued, or incurred, directly or  
7           indirectly, (i) for taxable years ending on or after  
8           December 31, 2004, to a foreign person who would be a  
9           member of the same unitary business group but for the  
10          fact that the foreign person's business activity  
11          outside the United States is 80% or more of the foreign  
12          person's total business activity and (ii) for taxable  
13          years ending on or after December 31, 2008, to a person  
14          who would be a member of the same unitary business  
15          group but for the fact that the person is prohibited  
16          under Section 1501(a)(27) from being included in the  
17          unitary business group because he or she is ordinarily  
18          required to apportion business income under different  
19          subsections of Section 304. The addition modification  
20          required by this subparagraph shall be reduced to the  
21          extent that dividends were included in base income of  
22          the unitary group for the same taxable year and  
23          received by the taxpayer or by a member of the  
24          taxpayer's unitary business group (including amounts  
25          included in gross income pursuant to Sections 951  
26          through 964 of the Internal Revenue Code and amounts

1 included in gross income under Section 78 of the  
2 Internal Revenue Code) with respect to the stock of the  
3 same person to whom the interest was paid, accrued, or  
4 incurred.

5 This paragraph shall not apply to the following:

6 (i) an item of interest paid, accrued, or  
7 incurred, directly or indirectly, to a person who  
8 is subject in a foreign country or state, other  
9 than a state which requires mandatory unitary  
10 reporting, to a tax on or measured by net income  
11 with respect to such interest; or

12 (ii) an item of interest paid, accrued, or  
13 incurred, directly or indirectly, to a person if  
14 the taxpayer can establish, based on a  
15 preponderance of the evidence, both of the  
16 following:

17 (a) the person, during the same taxable  
18 year, paid, accrued, or incurred, the interest  
19 to a person that is not a related member, and

20 (b) the transaction giving rise to the  
21 interest expense between the taxpayer and the  
22 person did not have as a principal purpose the  
23 avoidance of Illinois income tax, and is paid  
24 pursuant to a contract or agreement that  
25 reflects an arm's-length interest rate and  
26 terms; or

1           (iii) the taxpayer can establish, based on  
2 clear and convincing evidence, that the interest  
3 paid, accrued, or incurred relates to a contract or  
4 agreement entered into at arm's-length rates and  
5 terms and the principal purpose for the payment is  
6 not federal or Illinois tax avoidance; or

7           (iv) an item of interest paid, accrued, or  
8 incurred, directly or indirectly, to a person if  
9 the taxpayer establishes by clear and convincing  
10 evidence that the adjustments are unreasonable; or  
11 if the taxpayer and the Director agree in writing  
12 to the application or use of an alternative method  
13 of apportionment under Section 304(f).

14           Nothing in this subsection shall preclude the  
15 Director from making any other adjustment  
16 otherwise allowed under Section 404 of this Act for  
17 any tax year beginning after the effective date of  
18 this amendment provided such adjustment is made  
19 pursuant to regulation adopted by the Department  
20 and such regulations provide methods and standards  
21 by which the Department will utilize its authority  
22 under Section 404 of this Act;

23           (G-13) An amount equal to the amount of intangible  
24 expenses and costs otherwise allowed as a deduction in  
25 computing base income, and that were paid, accrued, or  
26 incurred, directly or indirectly, (i) for taxable

1 years ending on or after December 31, 2004, to a  
2 foreign person who would be a member of the same  
3 unitary business group but for the fact that the  
4 foreign person's business activity outside the United  
5 States is 80% or more of that person's total business  
6 activity and (ii) for taxable years ending on or after  
7 December 31, 2008, to a person who would be a member of  
8 the same unitary business group but for the fact that  
9 the person is prohibited under Section 1501(a)(27)  
10 from being included in the unitary business group  
11 because he or she is ordinarily required to apportion  
12 business income under different subsections of Section  
13 304. The addition modification required by this  
14 subparagraph shall be reduced to the extent that  
15 dividends were included in base income of the unitary  
16 group for the same taxable year and received by the  
17 taxpayer or by a member of the taxpayer's unitary  
18 business group (including amounts included in gross  
19 income pursuant to Sections 951 through 964 of the  
20 Internal Revenue Code and amounts included in gross  
21 income under Section 78 of the Internal Revenue Code)  
22 with respect to the stock of the same person to whom  
23 the intangible expenses and costs were directly or  
24 indirectly paid, incurred, or accrued. The preceding  
25 sentence shall not apply to the extent that the same  
26 dividends caused a reduction to the addition

1 modification required under Section 203(c)(2)(G-12) of  
2 this Act. As used in this subparagraph, the term  
3 "intangible expenses and costs" includes: (1)  
4 expenses, losses, and costs for or related to the  
5 direct or indirect acquisition, use, maintenance or  
6 management, ownership, sale, exchange, or any other  
7 disposition of intangible property; (2) losses  
8 incurred, directly or indirectly, from factoring  
9 transactions or discounting transactions; (3) royalty,  
10 patent, technical, and copyright fees; (4) licensing  
11 fees; and (5) other similar expenses and costs. For  
12 purposes of this subparagraph, "intangible property"  
13 includes patents, patent applications, trade names,  
14 trademarks, service marks, copyrights, mask works,  
15 trade secrets, and similar types of intangible assets.

16 This paragraph shall not apply to the following:

17 (i) any item of intangible expenses or costs  
18 paid, accrued, or incurred, directly or  
19 indirectly, from a transaction with a person who is  
20 subject in a foreign country or state, other than a  
21 state which requires mandatory unitary reporting,  
22 to a tax on or measured by net income with respect  
23 to such item; or

24 (ii) any item of intangible expense or cost  
25 paid, accrued, or incurred, directly or  
26 indirectly, if the taxpayer can establish, based

1 on a preponderance of the evidence, both of the  
2 following:

3 (a) the person during the same taxable  
4 year paid, accrued, or incurred, the  
5 intangible expense or cost to a person that is  
6 not a related member, and

7 (b) the transaction giving rise to the  
8 intangible expense or cost between the  
9 taxpayer and the person did not have as a  
10 principal purpose the avoidance of Illinois  
11 income tax, and is paid pursuant to a contract  
12 or agreement that reflects arm's-length terms;  
13 or

14 (iii) any item of intangible expense or cost  
15 paid, accrued, or incurred, directly or  
16 indirectly, from a transaction with a person if the  
17 taxpayer establishes by clear and convincing  
18 evidence, that the adjustments are unreasonable;  
19 or if the taxpayer and the Director agree in  
20 writing to the application or use of an alternative  
21 method of apportionment under Section 304(f);

22 Nothing in this subsection shall preclude the  
23 Director from making any other adjustment  
24 otherwise allowed under Section 404 of this Act for  
25 any tax year beginning after the effective date of  
26 this amendment provided such adjustment is made

1           pursuant to regulation adopted by the Department  
2           and such regulations provide methods and standards  
3           by which the Department will utilize its authority  
4           under Section 404 of this Act;

5           (G-14) For taxable years ending on or after  
6           December 31, 2008, an amount equal to the amount of  
7           insurance premium expenses and costs otherwise allowed  
8           as a deduction in computing base income, and that were  
9           paid, accrued, or incurred, directly or indirectly, to  
10          a person who would be a member of the same unitary  
11          business group but for the fact that the person is  
12          prohibited under Section 1501(a)(27) from being  
13          included in the unitary business group because he or  
14          she is ordinarily required to apportion business  
15          income under different subsections of Section 304. The  
16          addition modification required by this subparagraph  
17          shall be reduced to the extent that dividends were  
18          included in base income of the unitary group for the  
19          same taxable year and received by the taxpayer or by a  
20          member of the taxpayer's unitary business group  
21          (including amounts included in gross income under  
22          Sections 951 through 964 of the Internal Revenue Code  
23          and amounts included in gross income under Section 78  
24          of the Internal Revenue Code) with respect to the stock  
25          of the same person to whom the premiums and costs were  
26          directly or indirectly paid, incurred, or accrued. The

1 preceding sentence does not apply to the extent that  
2 the same dividends caused a reduction to the addition  
3 modification required under Section 203(c) (2) (G-12) or  
4 Section 203(c) (2) (G-13) of this Act;

5 (G-15) An amount equal to the credit allowable to  
6 the taxpayer under Section 218(a) of this Act,  
7 determined without regard to Section 218(c) of this  
8 Act;

9 (G-16) For taxable years beginning on or after  
10 January 1, 2017, an amount equal to the deduction  
11 allowed under Section 199 of the Internal Revenue Code  
12 for the taxable year;

13 and by deducting from the total so obtained the sum of the  
14 following amounts:

15 (H) An amount equal to all amounts included in such  
16 total pursuant to the provisions of Sections 402(a),  
17 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
18 Internal Revenue Code or included in such total as  
19 distributions under the provisions of any retirement  
20 or disability plan for employees of any governmental  
21 agency or unit, or retirement payments to retired  
22 partners, which payments are excluded in computing net  
23 earnings from self employment by Section 1402 of the  
24 Internal Revenue Code and regulations adopted pursuant  
25 thereto;

26 (I) The valuation limitation amount;



1           (J) An amount equal to the amount of any tax  
2 imposed by this Act which was refunded to the taxpayer  
3 and included in such total for the taxable year;

4           (K) An amount equal to all amounts included in  
5 taxable income as modified by subparagraphs (A), (B),  
6 (C), (D), (E), (F) and (G) which are exempt from  
7 taxation by this State either by reason of its statutes  
8 or Constitution or by reason of the Constitution,  
9 treaties or statutes of the United States; provided  
10 that, in the case of any statute of this State that  
11 exempts income derived from bonds or other obligations  
12 from the tax imposed under this Act, the amount  
13 exempted shall be the interest net of bond premium  
14 amortization;

15           (L) With the exception of any amounts subtracted  
16 under subparagraph (K), an amount equal to the sum of  
17 all amounts disallowed as deductions by (i) Sections  
18 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
19 and all amounts of expenses allocable to interest and  
20 disallowed as deductions by Section 265(1) of the  
21 Internal Revenue Code; and (ii) for taxable years  
22 ending on or after August 13, 1999, Sections 171(a) (2),  
23 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
24 Code, plus, (iii) for taxable years ending on or after  
25 December 31, 2011, Section 45G(e) (3) of the Internal  
26 Revenue Code and, for taxable years ending on or after

1 December 31, 2008, any amount included in gross income  
2 under Section 87 of the Internal Revenue Code; the  
3 provisions of this subparagraph are exempt from the  
4 provisions of Section 250;

5 (M) An amount equal to those dividends included in  
6 such total which were paid by a corporation which  
7 conducts business operations in a River Edge  
8 Redevelopment Zone or zones created under the River  
9 Edge Redevelopment Zone Act and conducts substantially  
10 all of its operations in a River Edge Redevelopment  
11 Zone or zones. This subparagraph (M) is exempt from the  
12 provisions of Section 250;

13 (N) An amount equal to any contribution made to a  
14 job training project established pursuant to the Tax  
15 Increment Allocation Redevelopment Act;

16 (O) An amount equal to those dividends included in  
17 such total that were paid by a corporation that  
18 conducts business operations in a federally designated  
19 Foreign Trade Zone or Sub-Zone and that is designated a  
20 High Impact Business located in Illinois; provided  
21 that dividends eligible for the deduction provided in  
22 subparagraph (M) of paragraph (2) of this subsection  
23 shall not be eligible for the deduction provided under  
24 this subparagraph (O);

25 (P) An amount equal to the amount of the deduction  
26 used to compute the federal income tax credit for

1 restoration of substantial amounts held under claim of  
2 right for the taxable year pursuant to Section 1341 of  
3 the Internal Revenue Code;

4 (Q) For taxable year 1999 and thereafter, an amount  
5 equal to the amount of any (i) distributions, to the  
6 extent includible in gross income for federal income  
7 tax purposes, made to the taxpayer because of his or  
8 her status as a victim of persecution for racial or  
9 religious reasons by Nazi Germany or any other Axis  
10 regime or as an heir of the victim and (ii) items of  
11 income, to the extent includible in gross income for  
12 federal income tax purposes, attributable to, derived  
13 from or in any way related to assets stolen from,  
14 hidden from, or otherwise lost to a victim of  
15 persecution for racial or religious reasons by Nazi  
16 Germany or any other Axis regime immediately prior to,  
17 during, and immediately after World War II, including,  
18 but not limited to, interest on the proceeds receivable  
19 as insurance under policies issued to a victim of  
20 persecution for racial or religious reasons by Nazi  
21 Germany or any other Axis regime by European insurance  
22 companies immediately prior to and during World War II;  
23 provided, however, this subtraction from federal  
24 adjusted gross income does not apply to assets acquired  
25 with such assets or with the proceeds from the sale of  
26 such assets; provided, further, this paragraph shall

1           only apply to a taxpayer who was the first recipient of  
2           such assets after their recovery and who is a victim of  
3           persecution for racial or religious reasons by Nazi  
4           Germany or any other Axis regime or as an heir of the  
5           victim. The amount of and the eligibility for any  
6           public assistance, benefit, or similar entitlement is  
7           not affected by the inclusion of items (i) and (ii) of  
8           this paragraph in gross income for federal income tax  
9           purposes. This paragraph is exempt from the provisions  
10          of Section 250;

11           (R) For taxable years 2001 and thereafter, for the  
12          taxable year in which the bonus depreciation deduction  
13          is taken on the taxpayer's federal income tax return  
14          under subsection (k) of Section 168 of the Internal  
15          Revenue Code and for each applicable taxable year  
16          thereafter, an amount equal to "x", where:

17                   (1) "y" equals the amount of the depreciation  
18                   deduction taken for the taxable year on the  
19                   taxpayer's federal income tax return on property  
20                   for which the bonus depreciation deduction was  
21                   taken in any year under subsection (k) of Section  
22                   168 of the Internal Revenue Code, but not including  
23                   the bonus depreciation deduction;

24                   (2) for taxable years ending on or before  
25                   December 31, 2005, "x" equals "y" multiplied by 30  
26                   and then divided by 70 (or "y" multiplied by

1 0.429); and

2 (3) for taxable years ending after December  
3 31, 2005:

4 (i) for property on which a bonus  
5 depreciation deduction of 30% of the adjusted  
6 basis was taken, "x" equals "y" multiplied by  
7 30 and then divided by 70 (or "y" multiplied by  
8 0.429); and

9 (ii) for property on which a bonus  
10 depreciation deduction of 50% of the adjusted  
11 basis was taken, "x" equals "y" multiplied by  
12 1.0.

13 The aggregate amount deducted under this  
14 subparagraph in all taxable years for any one piece of  
15 property may not exceed the amount of the bonus  
16 depreciation deduction taken on that property on the  
17 taxpayer's federal income tax return under subsection  
18 (k) of Section 168 of the Internal Revenue Code. This  
19 subparagraph (R) is exempt from the provisions of  
20 Section 250;

21 (S) If the taxpayer sells, transfers, abandons, or  
22 otherwise disposes of property for which the taxpayer  
23 was required in any taxable year to make an addition  
24 modification under subparagraph (G-10), then an amount  
25 equal to that addition modification.

26 If the taxpayer continues to own property through

1 the last day of the last tax year for which the  
2 taxpayer may claim a depreciation deduction for  
3 federal income tax purposes and for which the taxpayer  
4 was required in any taxable year to make an addition  
5 modification under subparagraph (G-10), then an amount  
6 equal to that addition modification.

7 The taxpayer is allowed to take the deduction under  
8 this subparagraph only once with respect to any one  
9 piece of property.

10 This subparagraph (S) is exempt from the  
11 provisions of Section 250;

12 (T) The amount of (i) any interest income (net of  
13 the deductions allocable thereto) taken into account  
14 for the taxable year with respect to a transaction with  
15 a taxpayer that is required to make an addition  
16 modification with respect to such transaction under  
17 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
18 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
19 the amount of such addition modification and (ii) any  
20 income from intangible property (net of the deductions  
21 allocable thereto) taken into account for the taxable  
22 year with respect to a transaction with a taxpayer that  
23 is required to make an addition modification with  
24 respect to such transaction under Section  
25 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
26 203(d)(2)(D-8), but not to exceed the amount of such

1 addition modification. This subparagraph (T) is exempt  
2 from the provisions of Section 250;

3 (U) An amount equal to the interest income taken  
4 into account for the taxable year (net of the  
5 deductions allocable thereto) with respect to  
6 transactions with (i) a foreign person who would be a  
7 member of the taxpayer's unitary business group but for  
8 the fact the foreign person's business activity  
9 outside the United States is 80% or more of that  
10 person's total business activity and (ii) for taxable  
11 years ending on or after December 31, 2008, to a person  
12 who would be a member of the same unitary business  
13 group but for the fact that the person is prohibited  
14 under Section 1501(a)(27) from being included in the  
15 unitary business group because he or she is ordinarily  
16 required to apportion business income under different  
17 subsections of Section 304, but not to exceed the  
18 addition modification required to be made for the same  
19 taxable year under Section 203(c)(2)(G-12) for  
20 interest paid, accrued, or incurred, directly or  
21 indirectly, to the same person. This subparagraph (U)  
22 is exempt from the provisions of Section 250;

23 (V) An amount equal to the income from intangible  
24 property taken into account for the taxable year (net  
25 of the deductions allocable thereto) with respect to  
26 transactions with (i) a foreign person who would be a

1 member of the taxpayer's unitary business group but for  
2 the fact that the foreign person's business activity  
3 outside the United States is 80% or more of that  
4 person's total business activity and (ii) for taxable  
5 years ending on or after December 31, 2008, to a person  
6 who would be a member of the same unitary business  
7 group but for the fact that the person is prohibited  
8 under Section 1501(a)(27) from being included in the  
9 unitary business group because he or she is ordinarily  
10 required to apportion business income under different  
11 subsections of Section 304, but not to exceed the  
12 addition modification required to be made for the same  
13 taxable year under Section 203(c)(2)(G-13) for  
14 intangible expenses and costs paid, accrued, or  
15 incurred, directly or indirectly, to the same foreign  
16 person. This subparagraph (V) is exempt from the  
17 provisions of Section 250;

18 (W) in the case of an estate, an amount equal to  
19 all amounts included in such total pursuant to the  
20 provisions of Section 111 of the Internal Revenue Code  
21 as a recovery of items previously deducted by the  
22 decedent from adjusted gross income in the computation  
23 of taxable income. This subparagraph (W) is exempt from  
24 Section 250;

25 (X) an amount equal to the refund included in such  
26 total of any tax deducted for federal income tax



1 purposes, to the extent that deduction was added back  
2 under subparagraph (F). This subparagraph (X) is  
3 exempt from the provisions of Section 250; and

4 (Y) For taxable years ending on or after December  
5 31, 2011, in the case of a taxpayer who was required to  
6 add back any insurance premiums under Section  
7 203(c)(2)(G-14), such taxpayer may elect to subtract  
8 that part of a reimbursement received from the  
9 insurance company equal to the amount of the expense or  
10 loss (including expenses incurred by the insurance  
11 company) that would have been taken into account as a  
12 deduction for federal income tax purposes if the  
13 expense or loss had been uninsured. If a taxpayer makes  
14 the election provided for by this subparagraph (Y), the  
15 insurer to which the premiums were paid must add back  
16 to income the amount subtracted by the taxpayer  
17 pursuant to this subparagraph (Y). This subparagraph  
18 (Y) is exempt from the provisions of Section 250.

19 (3) Limitation. The amount of any modification  
20 otherwise required under this subsection shall, under  
21 regulations prescribed by the Department, be adjusted by  
22 any amounts included therein which were properly paid,  
23 credited, or required to be distributed, or permanently set  
24 aside for charitable purposes pursuant to Internal Revenue  
25 Code Section 642(c) during the taxable year.

1 (d) Partnerships.

2 (1) In general. In the case of a partnership, base  
3 income means an amount equal to the taxpayer's taxable  
4 income for the taxable year as modified by paragraph (2).

5 (2) Modifications. The taxable income referred to in  
6 paragraph (1) shall be modified by adding thereto the sum  
7 of the following amounts:

8 (A) An amount equal to all amounts paid or accrued  
9 to the taxpayer as interest or dividends during the  
10 taxable year to the extent excluded from gross income  
11 in the computation of taxable income;

12 (B) An amount equal to the amount of tax imposed by  
13 this Act to the extent deducted from gross income for  
14 the taxable year;

15 (C) The amount of deductions allowed to the  
16 partnership pursuant to Section 707 (c) of the Internal  
17 Revenue Code in calculating its taxable income;

18 (D) An amount equal to the amount of the capital  
19 gain deduction allowable under the Internal Revenue  
20 Code, to the extent deducted from gross income in the  
21 computation of taxable income;

22 (D-5) For taxable years 2001 and thereafter, an  
23 amount equal to the bonus depreciation deduction taken  
24 on the taxpayer's federal income tax return for the  
25 taxable year under subsection (k) of Section 168 of the  
26 Internal Revenue Code;

1           (D-6) If the taxpayer sells, transfers, abandons,  
2 or otherwise disposes of property for which the  
3 taxpayer was required in any taxable year to make an  
4 addition modification under subparagraph (D-5), then  
5 an amount equal to the aggregate amount of the  
6 deductions taken in all taxable years under  
7 subparagraph (O) with respect to that property.

8           If the taxpayer continues to own property through  
9 the last day of the last tax year for which the  
10 taxpayer may claim a depreciation deduction for  
11 federal income tax purposes and for which the taxpayer  
12 was allowed in any taxable year to make a subtraction  
13 modification under subparagraph (O), then an amount  
14 equal to that subtraction modification.

15           The taxpayer is required to make the addition  
16 modification under this subparagraph only once with  
17 respect to any one piece of property;

18           (D-7) An amount equal to the amount otherwise  
19 allowed as a deduction in computing base income for  
20 interest paid, accrued, or incurred, directly or  
21 indirectly, (i) for taxable years ending on or after  
22 December 31, 2004, to a foreign person who would be a  
23 member of the same unitary business group but for the  
24 fact the foreign person's business activity outside  
25 the United States is 80% or more of the foreign  
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person  
2 who would be a member of the same unitary business  
3 group but for the fact that the person is prohibited  
4 under Section 1501(a)(27) from being included in the  
5 unitary business group because he or she is ordinarily  
6 required to apportion business income under different  
7 subsections of Section 304. The addition modification  
8 required by this subparagraph shall be reduced to the  
9 extent that dividends were included in base income of  
10 the unitary group for the same taxable year and  
11 received by the taxpayer or by a member of the  
12 taxpayer's unitary business group (including amounts  
13 included in gross income pursuant to Sections 951  
14 through 964 of the Internal Revenue Code and amounts  
15 included in gross income under Section 78 of the  
16 Internal Revenue Code) with respect to the stock of the  
17 same person to whom the interest was paid, accrued, or  
18 incurred.

19 This paragraph shall not apply to the following:

20 (i) an item of interest paid, accrued, or  
21 incurred, directly or indirectly, to a person who  
22 is subject in a foreign country or state, other  
23 than a state which requires mandatory unitary  
24 reporting, to a tax on or measured by net income  
25 with respect to such interest; or

26 (ii) an item of interest paid, accrued, or

1           incurred, directly or indirectly, to a person if  
2           the taxpayer can establish, based on a  
3           preponderance of the evidence, both of the  
4           following:

5                   (a) the person, during the same taxable  
6                   year, paid, accrued, or incurred, the interest  
7                   to a person that is not a related member, and

8                   (b) the transaction giving rise to the  
9                   interest expense between the taxpayer and the  
10                  person did not have as a principal purpose the  
11                  avoidance of Illinois income tax, and is paid  
12                  pursuant to a contract or agreement that  
13                  reflects an arm's-length interest rate and  
14                  terms; or

15                  (iii) the taxpayer can establish, based on  
16                  clear and convincing evidence, that the interest  
17                  paid, accrued, or incurred relates to a contract or  
18                  agreement entered into at arm's-length rates and  
19                  terms and the principal purpose for the payment is  
20                  not federal or Illinois tax avoidance; or

21                  (iv) an item of interest paid, accrued, or  
22                  incurred, directly or indirectly, to a person if  
23                  the taxpayer establishes by clear and convincing  
24                  evidence that the adjustments are unreasonable; or  
25                  if the taxpayer and the Director agree in writing  
26                  to the application or use of an alternative method

1 of apportionment under Section 304(f).

2 Nothing in this subsection shall preclude the  
3 Director from making any other adjustment  
4 otherwise allowed under Section 404 of this Act for  
5 any tax year beginning after the effective date of  
6 this amendment provided such adjustment is made  
7 pursuant to regulation adopted by the Department  
8 and such regulations provide methods and standards  
9 by which the Department will utilize its authority  
10 under Section 404 of this Act; and

11 (D-8) An amount equal to the amount of intangible  
12 expenses and costs otherwise allowed as a deduction in  
13 computing base income, and that were paid, accrued, or  
14 incurred, directly or indirectly, (i) for taxable  
15 years ending on or after December 31, 2004, to a  
16 foreign person who would be a member of the same  
17 unitary business group but for the fact that the  
18 foreign person's business activity outside the United  
19 States is 80% or more of that person's total business  
20 activity and (ii) for taxable years ending on or after  
21 December 31, 2008, to a person who would be a member of  
22 the same unitary business group but for the fact that  
23 the person is prohibited under Section 1501(a)(27)  
24 from being included in the unitary business group  
25 because he or she is ordinarily required to apportion  
26 business income under different subsections of Section

1           304. The addition modification required by this  
2           subparagraph shall be reduced to the extent that  
3           dividends were included in base income of the unitary  
4           group for the same taxable year and received by the  
5           taxpayer or by a member of the taxpayer's unitary  
6           business group (including amounts included in gross  
7           income pursuant to Sections 951 through 964 of the  
8           Internal Revenue Code and amounts included in gross  
9           income under Section 78 of the Internal Revenue Code)  
10          with respect to the stock of the same person to whom  
11          the intangible expenses and costs were directly or  
12          indirectly paid, incurred or accrued. The preceding  
13          sentence shall not apply to the extent that the same  
14          dividends caused a reduction to the addition  
15          modification required under Section 203(d)(2)(D-7) of  
16          this Act. As used in this subparagraph, the term  
17          "intangible expenses and costs" includes (1) expenses,  
18          losses, and costs for, or related to, the direct or  
19          indirect acquisition, use, maintenance or management,  
20          ownership, sale, exchange, or any other disposition of  
21          intangible property; (2) losses incurred, directly or  
22          indirectly, from factoring transactions or discounting  
23          transactions; (3) royalty, patent, technical, and  
24          copyright fees; (4) licensing fees; and (5) other  
25          similar expenses and costs. For purposes of this  
26          subparagraph, "intangible property" includes patents,

1 patent applications, trade names, trademarks, service  
2 marks, copyrights, mask works, trade secrets, and  
3 similar types of intangible assets;

4 This paragraph shall not apply to the following:

5 (i) any item of intangible expenses or costs  
6 paid, accrued, or incurred, directly or  
7 indirectly, from a transaction with a person who is  
8 subject in a foreign country or state, other than a  
9 state which requires mandatory unitary reporting,  
10 to a tax on or measured by net income with respect  
11 to such item; or

12 (ii) any item of intangible expense or cost  
13 paid, accrued, or incurred, directly or  
14 indirectly, if the taxpayer can establish, based  
15 on a preponderance of the evidence, both of the  
16 following:

17 (a) the person during the same taxable  
18 year paid, accrued, or incurred, the  
19 intangible expense or cost to a person that is  
20 not a related member, and

21 (b) the transaction giving rise to the  
22 intangible expense or cost between the  
23 taxpayer and the person did not have as a  
24 principal purpose the avoidance of Illinois  
25 income tax, and is paid pursuant to a contract  
26 or agreement that reflects arm's-length terms;



1           or

2           (iii) any item of intangible expense or cost  
3           paid, accrued, or incurred, directly or  
4           indirectly, from a transaction with a person if the  
5           taxpayer establishes by clear and convincing  
6           evidence, that the adjustments are unreasonable;  
7           or if the taxpayer and the Director agree in  
8           writing to the application or use of an alternative  
9           method of apportionment under Section 304(f);

10           Nothing in this subsection shall preclude the  
11           Director from making any other adjustment  
12           otherwise allowed under Section 404 of this Act for  
13           any tax year beginning after the effective date of  
14           this amendment provided such adjustment is made  
15           pursuant to regulation adopted by the Department  
16           and such regulations provide methods and standards  
17           by which the Department will utilize its authority  
18           under Section 404 of this Act;

19           (D-9) For taxable years ending on or after December  
20           31, 2008, an amount equal to the amount of insurance  
21           premium expenses and costs otherwise allowed as a  
22           deduction in computing base income, and that were paid,  
23           accrued, or incurred, directly or indirectly, to a  
24           person who would be a member of the same unitary  
25           business group but for the fact that the person is  
26           prohibited under Section 1501(a)(27) from being

1 included in the unitary business group because he or  
2 she is ordinarily required to apportion business  
3 income under different subsections of Section 304. The  
4 addition modification required by this subparagraph  
5 shall be reduced to the extent that dividends were  
6 included in base income of the unitary group for the  
7 same taxable year and received by the taxpayer or by a  
8 member of the taxpayer's unitary business group  
9 (including amounts included in gross income under  
10 Sections 951 through 964 of the Internal Revenue Code  
11 and amounts included in gross income under Section 78  
12 of the Internal Revenue Code) with respect to the stock  
13 of the same person to whom the premiums and costs were  
14 directly or indirectly paid, incurred, or accrued. The  
15 preceding sentence does not apply to the extent that  
16 the same dividends caused a reduction to the addition  
17 modification required under Section 203(d)(2)(D-7) or  
18 Section 203(d)(2)(D-8) of this Act;

19 (D-10) An amount equal to the credit allowable to  
20 the taxpayer under Section 218(a) of this Act,  
21 determined without regard to Section 218(c) of this  
22 Act;

23 (D-11) For taxable years beginning on or after  
24 January 1, 2017, an amount equal to the deduction  
25 allowed under Section 199 of the Internal Revenue Code  
26 for the taxable year;

1 and by deducting from the total so obtained the following  
2 amounts:

3 (E) The valuation limitation amount;

4 (F) An amount equal to the amount of any tax  
5 imposed by this Act which was refunded to the taxpayer  
6 and included in such total for the taxable year;

7 (G) An amount equal to all amounts included in  
8 taxable income as modified by subparagraphs (A), (B),  
9 (C) and (D) which are exempt from taxation by this  
10 State either by reason of its statutes or Constitution  
11 or by reason of the Constitution, treaties or statutes  
12 of the United States; provided that, in the case of any  
13 statute of this State that exempts income derived from  
14 bonds or other obligations from the tax imposed under  
15 this Act, the amount exempted shall be the interest net  
16 of bond premium amortization;

17 (H) Any income of the partnership which  
18 constitutes personal service income as defined in  
19 Section 1348 (b) (1) of the Internal Revenue Code (as  
20 in effect December 31, 1981) or a reasonable allowance  
21 for compensation paid or accrued for services rendered  
22 by partners to the partnership, whichever is greater;  
23 this subparagraph (H) is exempt from the provisions of  
24 Section 250;

25 (I) An amount equal to all amounts of income  
26 distributable to an entity subject to the Personal

1 Property Tax Replacement Income Tax imposed by  
2 subsections (c) and (d) of Section 201 of this Act  
3 including amounts distributable to organizations  
4 exempt from federal income tax by reason of Section  
5 501(a) of the Internal Revenue Code; this subparagraph  
6 (I) is exempt from the provisions of Section 250;

7 (J) With the exception of any amounts subtracted  
8 under subparagraph (G), an amount equal to the sum of  
9 all amounts disallowed as deductions by (i) Sections  
10 171(a) (2), and 265(2) of the Internal Revenue Code,  
11 and all amounts of expenses allocable to interest and  
12 disallowed as deductions by Section 265(1) of the  
13 Internal Revenue Code; and (ii) for taxable years  
14 ending on or after August 13, 1999, Sections 171(a) (2),  
15 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
16 Code, plus, (iii) for taxable years ending on or after  
17 December 31, 2011, Section 45G(e) (3) of the Internal  
18 Revenue Code and, for taxable years ending on or after  
19 December 31, 2008, any amount included in gross income  
20 under Section 87 of the Internal Revenue Code; the  
21 provisions of this subparagraph are exempt from the  
22 provisions of Section 250;

23 (K) An amount equal to those dividends included in  
24 such total which were paid by a corporation which  
25 conducts business operations in a River Edge  
26 Redevelopment Zone or zones created under the River

1           Edge Redevelopment Zone Act and conducts substantially  
2           all of its operations from a River Edge Redevelopment  
3           Zone or zones. This subparagraph (K) is exempt from the  
4           provisions of Section 250;

5           (L) An amount equal to any contribution made to a  
6           job training project established pursuant to the Real  
7           Property Tax Increment Allocation Redevelopment Act;

8           (M) An amount equal to those dividends included in  
9           such total that were paid by a corporation that  
10          conducts business operations in a federally designated  
11          Foreign Trade Zone or Sub-Zone and that is designated a  
12          High Impact Business located in Illinois; provided  
13          that dividends eligible for the deduction provided in  
14          subparagraph (K) of paragraph (2) of this subsection  
15          shall not be eligible for the deduction provided under  
16          this subparagraph (M);

17          (N) An amount equal to the amount of the deduction  
18          used to compute the federal income tax credit for  
19          restoration of substantial amounts held under claim of  
20          right for the taxable year pursuant to Section 1341 of  
21          the Internal Revenue Code;

22          (O) For taxable years 2001 and thereafter, for the  
23          taxable year in which the bonus depreciation deduction  
24          is taken on the taxpayer's federal income tax return  
25          under subsection (k) of Section 168 of the Internal  
26          Revenue Code and for each applicable taxable year

1           thereafter, an amount equal to "x", where:

2                   (1) "y" equals the amount of the depreciation  
3                   deduction taken for the taxable year on the  
4                   taxpayer's federal income tax return on property  
5                   for which the bonus depreciation deduction was  
6                   taken in any year under subsection (k) of Section  
7                   168 of the Internal Revenue Code, but not including  
8                   the bonus depreciation deduction;

9                   (2) for taxable years ending on or before  
10                   December 31, 2005, "x" equals "y" multiplied by 30  
11                   and then divided by 70 (or "y" multiplied by  
12                   0.429); and

13                   (3) for taxable years ending after December  
14                   31, 2005:

15                           (i) for property on which a bonus  
16                           depreciation deduction of 30% of the adjusted  
17                           basis was taken, "x" equals "y" multiplied by  
18                           30 and then divided by 70 (or "y" multiplied by  
19                           0.429); and

20                           (ii) for property on which a bonus  
21                           depreciation deduction of 50% of the adjusted  
22                           basis was taken, "x" equals "y" multiplied by  
23                           1.0.

24           The aggregate amount deducted under this  
25           subparagraph in all taxable years for any one piece of  
26           property may not exceed the amount of the bonus

1 depreciation deduction taken on that property on the  
2 taxpayer's federal income tax return under subsection  
3 (k) of Section 168 of the Internal Revenue Code. This  
4 subparagraph (O) is exempt from the provisions of  
5 Section 250;

6 (P) If the taxpayer sells, transfers, abandons, or  
7 otherwise disposes of property for which the taxpayer  
8 was required in any taxable year to make an addition  
9 modification under subparagraph (D-5), then an amount  
10 equal to that addition modification.

11 If the taxpayer continues to own property through  
12 the last day of the last tax year for which the  
13 taxpayer may claim a depreciation deduction for  
14 federal income tax purposes and for which the taxpayer  
15 was required in any taxable year to make an addition  
16 modification under subparagraph (D-5), then an amount  
17 equal to that addition modification.

18 The taxpayer is allowed to take the deduction under  
19 this subparagraph only once with respect to any one  
20 piece of property.

21 This subparagraph (P) is exempt from the  
22 provisions of Section 250;

23 (Q) The amount of (i) any interest income (net of  
24 the deductions allocable thereto) taken into account  
25 for the taxable year with respect to a transaction with  
26 a taxpayer that is required to make an addition

1 modification with respect to such transaction under  
2 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
3 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
4 the amount of such addition modification and (ii) any  
5 income from intangible property (net of the deductions  
6 allocable thereto) taken into account for the taxable  
7 year with respect to a transaction with a taxpayer that  
8 is required to make an addition modification with  
9 respect to such transaction under Section  
10 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
11 203(d)(2)(D-8), but not to exceed the amount of such  
12 addition modification. This subparagraph (Q) is exempt  
13 from Section 250;

14 (R) An amount equal to the interest income taken  
15 into account for the taxable year (net of the  
16 deductions allocable thereto) with respect to  
17 transactions with (i) a foreign person who would be a  
18 member of the taxpayer's unitary business group but for  
19 the fact that the foreign person's business activity  
20 outside the United States is 80% or more of that  
21 person's total business activity and (ii) for taxable  
22 years ending on or after December 31, 2008, to a person  
23 who would be a member of the same unitary business  
24 group but for the fact that the person is prohibited  
25 under Section 1501(a)(27) from being included in the  
26 unitary business group because he or she is ordinarily



1 required to apportion business income under different  
2 subsections of Section 304, but not to exceed the  
3 addition modification required to be made for the same  
4 taxable year under Section 203(d)(2)(D-7) for interest  
5 paid, accrued, or incurred, directly or indirectly, to  
6 the same person. This subparagraph (R) is exempt from  
7 Section 250;

8 (S) An amount equal to the income from intangible  
9 property taken into account for the taxable year (net  
10 of the deductions allocable thereto) with respect to  
11 transactions with (i) a foreign person who would be a  
12 member of the taxpayer's unitary business group but for  
13 the fact that the foreign person's business activity  
14 outside the United States is 80% or more of that  
15 person's total business activity and (ii) for taxable  
16 years ending on or after December 31, 2008, to a person  
17 who would be a member of the same unitary business  
18 group but for the fact that the person is prohibited  
19 under Section 1501(a)(27) from being included in the  
20 unitary business group because he or she is ordinarily  
21 required to apportion business income under different  
22 subsections of Section 304, but not to exceed the  
23 addition modification required to be made for the same  
24 taxable year under Section 203(d)(2)(D-8) for  
25 intangible expenses and costs paid, accrued, or  
26 incurred, directly or indirectly, to the same person.

1 This subparagraph (S) is exempt from Section 250; and

2 (T) For taxable years ending on or after December  
3 31, 2011, in the case of a taxpayer who was required to  
4 add back any insurance premiums under Section  
5 203(d)(2)(D-9), such taxpayer may elect to subtract  
6 that part of a reimbursement received from the  
7 insurance company equal to the amount of the expense or  
8 loss (including expenses incurred by the insurance  
9 company) that would have been taken into account as a  
10 deduction for federal income tax purposes if the  
11 expense or loss had been uninsured. If a taxpayer makes  
12 the election provided for by this subparagraph (T), the  
13 insurer to which the premiums were paid must add back  
14 to income the amount subtracted by the taxpayer  
15 pursuant to this subparagraph (T). This subparagraph  
16 (T) is exempt from the provisions of Section 250.

17 (e) Gross income; adjusted gross income; taxable income.

18 (1) In general. Subject to the provisions of paragraph  
19 (2) and subsection (b) (3), for purposes of this Section  
20 and Section 803(e), a taxpayer's gross income, adjusted  
21 gross income, or taxable income for the taxable year shall  
22 mean the amount of gross income, adjusted gross income or  
23 taxable income properly reportable for federal income tax  
24 purposes for the taxable year under the provisions of the  
25 Internal Revenue Code. Taxable income may be less than

1 zero. However, for taxable years ending on or after  
2 December 31, 1986, net operating loss carryforwards from  
3 taxable years ending prior to December 31, 1986, may not  
4 exceed the sum of federal taxable income for the taxable  
5 year before net operating loss deduction, plus the excess  
6 of addition modifications over subtraction modifications  
7 for the taxable year. For taxable years ending prior to  
8 December 31, 1986, taxable income may never be an amount in  
9 excess of the net operating loss for the taxable year as  
10 defined in subsections (c) and (d) of Section 172 of the  
11 Internal Revenue Code, provided that when taxable income of  
12 a corporation (other than a Subchapter S corporation),  
13 trust, or estate is less than zero and addition  
14 modifications, other than those provided by subparagraph  
15 (E) of paragraph (2) of subsection (b) for corporations or  
16 subparagraph (E) of paragraph (2) of subsection (c) for  
17 trusts and estates, exceed subtraction modifications, an  
18 addition modification must be made under those  
19 subparagraphs for any other taxable year to which the  
20 taxable income less than zero (net operating loss) is  
21 applied under Section 172 of the Internal Revenue Code or  
22 under subparagraph (E) of paragraph (2) of this subsection  
23 (e) applied in conjunction with Section 172 of the Internal  
24 Revenue Code.

25 (2) Special rule. For purposes of paragraph (1) of this  
26 subsection, the taxable income properly reportable for

1 federal income tax purposes shall mean:

2 (A) Certain life insurance companies. In the case  
3 of a life insurance company subject to the tax imposed  
4 by Section 801 of the Internal Revenue Code, life  
5 insurance company taxable income, plus the amount of  
6 distribution from pre-1984 policyholder surplus  
7 accounts as calculated under Section 815a of the  
8 Internal Revenue Code;

9 (B) Certain other insurance companies. In the case  
10 of mutual insurance companies subject to the tax  
11 imposed by Section 831 of the Internal Revenue Code,  
12 insurance company taxable income;

13 (C) Regulated investment companies. In the case of  
14 a regulated investment company subject to the tax  
15 imposed by Section 852 of the Internal Revenue Code,  
16 investment company taxable income;

17 (D) Real estate investment trusts. In the case of a  
18 real estate investment trust subject to the tax imposed  
19 by Section 857 of the Internal Revenue Code, real  
20 estate investment trust taxable income;

21 (E) Consolidated corporations. In the case of a  
22 corporation which is a member of an affiliated group of  
23 corporations filing a consolidated income tax return  
24 for the taxable year for federal income tax purposes,  
25 taxable income determined as if such corporation had  
26 filed a separate return for federal income tax purposes

1 for the taxable year and each preceding taxable year  
2 for which it was a member of an affiliated group. For  
3 purposes of this subparagraph, the taxpayer's separate  
4 taxable income shall be determined as if the election  
5 provided by Section 243(b) (2) of the Internal Revenue  
6 Code had been in effect for all such years;

7 (F) Cooperatives. In the case of a cooperative  
8 corporation or association, the taxable income of such  
9 organization determined in accordance with the  
10 provisions of Section 1381 through 1388 of the Internal  
11 Revenue Code, but without regard to the prohibition  
12 against offsetting losses from patronage activities  
13 against income from nonpatronage activities; except  
14 that a cooperative corporation or association may make  
15 an election to follow its federal income tax treatment  
16 of patronage losses and nonpatronage losses. In the  
17 event such election is made, such losses shall be  
18 computed and carried over in a manner consistent with  
19 subsection (a) of Section 207 of this Act and  
20 apportioned by the apportionment factor reported by  
21 the cooperative on its Illinois income tax return filed  
22 for the taxable year in which the losses are incurred.  
23 The election shall be effective for all taxable years  
24 with original returns due on or after the date of the  
25 election. In addition, the cooperative may file an  
26 amended return or returns, as allowed under this Act,

1 to provide that the election shall be effective for  
2 losses incurred or carried forward for taxable years  
3 occurring prior to the date of the election. Once made,  
4 the election may only be revoked upon approval of the  
5 Director. The Department shall adopt rules setting  
6 forth requirements for documenting the elections and  
7 any resulting Illinois net loss and the standards to be  
8 used by the Director in evaluating requests to revoke  
9 elections. Public Act 96-932 is declaratory of  
10 existing law;

11 (G) Subchapter S corporations. In the case of: (i)  
12 a Subchapter S corporation for which there is in effect  
13 an election for the taxable year under Section 1362 of  
14 the Internal Revenue Code, the taxable income of such  
15 corporation determined in accordance with Section  
16 1363(b) of the Internal Revenue Code, except that  
17 taxable income shall take into account those items  
18 which are required by Section 1363(b)(1) of the  
19 Internal Revenue Code to be separately stated; and (ii)  
20 a Subchapter S corporation for which there is in effect  
21 a federal election to opt out of the provisions of the  
22 Subchapter S Revision Act of 1982 and have applied  
23 instead the prior federal Subchapter S rules as in  
24 effect on July 1, 1982, the taxable income of such  
25 corporation determined in accordance with the federal  
26 Subchapter S rules as in effect on July 1, 1982; and

1           (H) Partnerships. In the case of a partnership,  
2 taxable income determined in accordance with Section  
3 703 of the Internal Revenue Code, except that taxable  
4 income shall take into account those items which are  
5 required by Section 703(a)(1) to be separately stated  
6 but which would be taken into account by an individual  
7 in calculating his taxable income.

8           (3) Recapture of business expenses on disposition of  
9 asset or business. Notwithstanding any other law to the  
10 contrary, if in prior years income from an asset or  
11 business has been classified as business income and in a  
12 later year is demonstrated to be non-business income, then  
13 all expenses, without limitation, deducted in such later  
14 year and in the 2 immediately preceding taxable years  
15 related to that asset or business that generated the  
16 non-business income shall be added back and recaptured as  
17 business income in the year of the disposition of the asset  
18 or business. Such amount shall be apportioned to Illinois  
19 using the greater of the apportionment fraction computed  
20 for the business under Section 304 of this Act for the  
21 taxable year or the average of the apportionment fractions  
22 computed for the business under Section 304 of this Act for  
23 the taxable year and for the 2 immediately preceding  
24 taxable years.

25           (f) Valuation limitation amount.

1           (1) In general. The valuation limitation amount  
2 referred to in subsections (a) (2) (G), (c) (2) (I) and  
3 (d) (2) (E) is an amount equal to:

4           (A) The sum of the pre-August 1, 1969 appreciation  
5 amounts (to the extent consisting of gain reportable  
6 under the provisions of Section 1245 or 1250 of the  
7 Internal Revenue Code) for all property in respect of  
8 which such gain was reported for the taxable year; plus

9           (B) The lesser of (i) the sum of the pre-August 1,  
10 1969 appreciation amounts (to the extent consisting of  
11 capital gain) for all property in respect of which such  
12 gain was reported for federal income tax purposes for  
13 the taxable year, or (ii) the net capital gain for the  
14 taxable year, reduced in either case by any amount of  
15 such gain included in the amount determined under  
16 subsection (a) (2) (F) or (c) (2) (H).

17           (2) Pre-August 1, 1969 appreciation amount.

18           (A) If the fair market value of property referred  
19 to in paragraph (1) was readily ascertainable on August  
20 1, 1969, the pre-August 1, 1969 appreciation amount for  
21 such property is the lesser of (i) the excess of such  
22 fair market value over the taxpayer's basis (for  
23 determining gain) for such property on that date  
24 (determined under the Internal Revenue Code as in  
25 effect on that date), or (ii) the total gain realized  
26 and reportable for federal income tax purposes in



1           respect of the sale, exchange or other disposition of  
2           such property.

3           (B) If the fair market value of property referred  
4           to in paragraph (1) was not readily ascertainable on  
5           August 1, 1969, the pre-August 1, 1969 appreciation  
6           amount for such property is that amount which bears the  
7           same ratio to the total gain reported in respect of the  
8           property for federal income tax purposes for the  
9           taxable year, as the number of full calendar months in  
10          that part of the taxpayer's holding period for the  
11          property ending July 31, 1969 bears to the number of  
12          full calendar months in the taxpayer's entire holding  
13          period for the property.

14          (C) The Department shall prescribe such  
15          regulations as may be necessary to carry out the  
16          purposes of this paragraph.

17          (g) Double deductions. Unless specifically provided  
18          otherwise, nothing in this Section shall permit the same item  
19          to be deducted more than once.

20          (h) Legislative intention. Except as expressly provided by  
21          this Section there shall be no modifications or limitations on  
22          the amounts of income, gain, loss or deduction taken into  
23          account in determining gross income, adjusted gross income or  
24          taxable income for federal income tax purposes for the taxable

1 year, or in the amount of such items entering into the  
2 computation of base income and net income under this Act for  
3 such taxable year, whether in respect of property values as of  
4 August 1, 1969 or otherwise.

5 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,  
6 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;  
7 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.  
8 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,  
9 eff. 8-23-11; 97-905, eff. 8-7-12.)

10 (35 ILCS 5/212)

11 Sec. 212. Earned income tax credit.

12 (a) With respect to the federal earned income tax credit  
13 allowed for the taxable year under Section 32 of the federal  
14 Internal Revenue Code, 26 U.S.C. 32, each individual taxpayer  
15 is entitled to a credit against the tax imposed by subsections  
16 (a) and (b) of Section 201 in an amount equal to (i) 5% of the  
17 federal tax credit for each taxable year beginning on or after  
18 January 1, 2000 and ending prior to December 31, 2012, (ii)  
19 7.5% of the federal tax credit for each taxable year beginning  
20 on or after January 1, 2012 and ending prior to December 31,  
21 2013, ~~and~~ (iii) 10% of the federal tax credit for each taxable  
22 year beginning on or after January 1, 2013 and beginning prior  
23 to January 1, 2017, and (iv) 15% of the federal tax credit for  
24 each taxable year beginning on or after January 1, 2017.

25 For a non-resident or part-year resident, the amount of the

1 credit under this Section shall be in proportion to the amount  
2 of income attributable to this State.

3 (b) For taxable years beginning before January 1, 2003, in  
4 no event shall a credit under this Section reduce the  
5 taxpayer's liability to less than zero. For each taxable year  
6 beginning on or after January 1, 2003, if the amount of the  
7 credit exceeds the income tax liability for the applicable tax  
8 year, then the excess credit shall be refunded to the taxpayer.  
9 The amount of a refund shall not be included in the taxpayer's  
10 income or resources for the purposes of determining eligibility  
11 or benefit level in any means-tested benefit program  
12 administered by a governmental entity unless required by  
13 federal law.

14 (c) This Section is exempt from the provisions of Section  
15 250.

16 (Source: P.A. 97-652, eff. 6-1-12.)

17 (35 ILCS 5/222)

18 Sec. 222. Live theater production credit.

19 (a) For tax years beginning on or after January 1, 2012 and  
20 beginning prior to January 1, 2027, a taxpayer who has received  
21 a tax credit award under the Live Theater Production Tax Credit  
22 Act is entitled to a credit against the taxes imposed under  
23 subsections (a) and (b) of Section 201 of this Act in an amount  
24 determined under that Act by the Department of Commerce and  
25 Economic Opportunity.

1 (b) If the taxpayer is a partnership, limited liability  
2 partnership, limited liability company, or Subchapter S  
3 corporation, the tax credit award is allowed to the partners,  
4 unit holders, or shareholders in accordance with the  
5 determination of income and distributive share of income under  
6 Sections 702 and 704 and Subchapter S of the Internal Revenue  
7 Code.

8 (c) A sale, assignment, or transfer of the tax credit award  
9 may be made by the taxpayer earning the credit within one year  
10 after the credit is awarded in accordance with rules adopted by  
11 the Department of Commerce and Economic Opportunity.

12 (d) The Department of Revenue, in cooperation with the  
13 Department of Commerce and Economic Opportunity, shall adopt  
14 rules to enforce and administer the provisions of this Section.

15 (e) The tax credit award may not be carried back. If the  
16 amount of the credit exceeds the tax liability for the year,  
17 the excess may be carried forward and applied to the tax  
18 liability of the 5 tax years following the excess credit year.  
19 The tax credit award shall be applied to the earliest year for  
20 which there is a tax liability. If there are credits from more  
21 than one tax year that are available to offset liability, the  
22 earlier credit shall be applied first. In no event may a credit  
23 under this Section reduce the taxpayer's liability to less than  
24 zero.

25 (Source: P.A. 97-636, eff. 6-1-12.)

1 (35 ILCS 5/225 new)

2 Sec. 225. Credit for instructional materials and supplies.  
3 For taxable years beginning on and after January 1, 2017, a  
4 taxpayer shall be allowed a credit in the amount paid by the  
5 taxpayer during the taxable year for instructional materials  
6 and supplies with respect to classroom based instruction in a  
7 qualified school, or \$250, whichever is less, provided that the  
8 taxpayer is a teacher, instructor, counselor, principal, or  
9 aide in a qualified school for at least 900 hours during a  
10 school year.

11 The credit may not be carried back and may not reduce the  
12 taxpayer's liability to less than zero. If the amount of the  
13 credit exceeds the tax liability for the year, the excess may  
14 be carried forward and applied to the tax liability of the 5  
15 taxable years following the excess credit year. The tax credit  
16 shall be applied to the earliest year for which there is a tax  
17 liability. If there are credits for more than one year that are  
18 available to offset a liability, the earlier credit shall be  
19 applied first.

20 For purposes of this Section, the term "materials and  
21 supplies" means amounts paid for instructional materials or  
22 supplies that are designated for classroom use in any qualified  
23 school. For purposes of this Section, the term "qualified  
24 school" means a public school or non-public school located in  
25 Illinois.

26 This Section is exempt from the provisions of Section 250.

1 (35 ILCS 5/804) (from Ch. 120, par. 8-804)

2 Sec. 804. Failure to Pay Estimated Tax.

3 (a) In general. In case of any underpayment of estimated  
4 tax by a taxpayer, except as provided in subsection (d) or (e),  
5 the taxpayer shall be liable to a penalty in an amount  
6 determined at the rate prescribed by Section 3-3 of the Uniform  
7 Penalty and Interest Act upon the amount of the underpayment  
8 (determined under subsection (b)) for each required  
9 installment.

10 (b) Amount of underpayment. For purposes of subsection (a),  
11 the amount of the underpayment shall be the excess of:

12 (1) the amount of the installment which would be  
13 required to be paid under subsection (c), over

14 (2) the amount, if any, of the installment paid on or  
15 before the last date prescribed for payment.

16 (c) Amount of Required Installments.

17 (1) Amount.

18 (A) In General. Except as provided in paragraphs

19 (2) and (3), the amount of any required installment  
20 shall be 25% of the required annual payment.

21 (B) Required Annual Payment. For purposes of  
22 subparagraph (A), the term "required annual payment"  
23 means the lesser of:

24 (i) 90% of the tax shown on the return for the  
25 taxable year, or if no return is filed, 90% of the

1 tax for such year;

2 (ii) for installments due prior to February 1,  
3 2011, and after January 31, 2012, 100% of the tax  
4 shown on the return of the taxpayer for the  
5 preceding taxable year if a return showing a  
6 liability for tax was filed by the taxpayer for the  
7 preceding taxable year and such preceding year was  
8 a taxable year of 12 months; or

9 (iii) for installments due after January 31,  
10 2011, and prior to February 1, 2012, 150% of the  
11 tax shown on the return of the taxpayer for the  
12 preceding taxable year if a return showing a  
13 liability for tax was filed by the taxpayer for the  
14 preceding taxable year and such preceding year was  
15 a taxable year of 12 months.

16 (2) Lower Required Installment where Annualized Income  
17 Installment is Less Than Amount Determined Under Paragraph  
18 (1).

19 (A) In General. In the case of any required  
20 installment if a taxpayer establishes that the  
21 annualized income installment is less than the amount  
22 determined under paragraph (1),

23 (i) the amount of such required installment  
24 shall be the annualized income installment, and

25 (ii) any reduction in a required installment  
26 resulting from the application of this

1           subparagraph shall be recaptured by increasing the  
 2           amount of the next required installment determined  
 3           under paragraph (1) by the amount of such  
 4           reduction, and by increasing subsequent required  
 5           installments to the extent that the reduction has  
 6           not previously been recaptured under this clause.

7           (B)     Determination     of     Annualized     Income  
 8     Installment. In the case of any required installment,  
 9     the annualized income installment is the excess, if  
 10    any, of:

11                   (i)    an amount equal to the applicable  
 12                   percentage of the tax for the taxable year computed  
 13                   by placing on an annualized basis the net income  
 14                   for months in the taxable year ending before the  
 15                   due date for the installment, over

16                   (ii) the aggregate amount of any prior  
 17                   required installments for the taxable year.

18           (C) Applicable Percentage.

19	In the case of the following	The applicable
20	required installments:	percentage is:
21	1st.....	22.5%
22	2nd.....	45%
23	3rd.....	67.5%
24	4th.....	90%

25           (D) Annualized Net Income; Individuals. For  
 26     individuals, net income shall be placed on an



1 annualized basis by:

2 (i) multiplying by 12, or in the case of a  
3 taxable year of less than 12 months, by the number  
4 of months in the taxable year, the net income  
5 computed without regard to the standard exemption  
6 for the months in the taxable year ending before  
7 the month in which the installment is required to  
8 be paid;

9 (ii) dividing the resulting amount by the  
10 number of months in the taxable year ending before  
11 the month in which such installment date falls; and

12 (iii) deducting from such amount the standard  
13 exemption allowable for the taxable year, such  
14 standard exemption being determined as of the last  
15 date prescribed for payment of the installment.

16 (E) Annualized Net Income; Corporations. For  
17 corporations, net income shall be placed on an  
18 annualized basis by multiplying by 12 the taxable  
19 income

20 (i) for the first 3 months of the taxable year,  
21 in the case of the installment required to be paid  
22 in the 4th month,

23 (ii) for the first 3 months or for the first 5  
24 months of the taxable year, in the case of the  
25 installment required to be paid in the 6th month,

26 (iii) for the first 6 months or for the first 8

1 months of the taxable year, in the case of the  
2 installment required to be paid in the 9th month,  
3 and

4 (iv) for the first 9 months or for the first 11  
5 months of the taxable year, in the case of the  
6 installment required to be paid in the 12th month  
7 of the taxable year,

8 then dividing the resulting amount by the number of  
9 months in the taxable year (3, 5, 6, 8, 9, or 11 as the  
10 case may be).

11 (3) Notwithstanding any other provision of this  
12 subsection (c), in the case of a federally regulated  
13 exchange that elects to apportion its income under Section  
14 304(c-1) of this Act, the amount of each required  
15 installment due prior to June 30 of the first taxable year  
16 to which the election applies shall be 25% of the tax that  
17 would have been shown on the return for that taxable year  
18 if the taxpayer had not made such election.

19 (d) Exceptions. Notwithstanding the provisions of the  
20 preceding subsections, the penalty imposed by subsection (a)  
21 shall not be imposed if the taxpayer was not required to file  
22 an Illinois income tax return for the preceding taxable year,  
23 or, for individuals, if the taxpayer had no tax liability for  
24 the preceding taxable year and such year was a taxable year of  
25 12 months. The penalty imposed by subsection (a) shall also not  
26 be imposed on any underpayments of estimated tax due before the

1 effective date of this amendatory Act of 1998 which  
2 underpayments are solely attributable to the change in  
3 apportionment from subsection (a) to subsection (h) of Section  
4 304. The provisions of this amendatory Act of 1998 apply to tax  
5 years ending on or after December 31, 1998.

6 (e) The penalty imposed for underpayment of estimated tax  
7 by subsection (a) of this Section shall not be imposed to the  
8 extent that the Director or his or her designate determines,  
9 pursuant to Section 3-8 of the Uniform Penalty and Interest Act  
10 that the penalty should not be imposed.

11 (f) Definition of tax. For purposes of subsections (b) and  
12 (c), the term "tax" means the excess of the tax imposed under  
13 Article 2 of this Act, over the amounts credited against such  
14 tax under Sections 601(b) (3) and (4).

15 (g) Application of Section in case of tax withheld under  
16 Article 7. For purposes of applying this Section:

17 (1) tax withheld from compensation for the taxable year  
18 shall be deemed a payment of estimated tax, and an equal  
19 part of such amount shall be deemed paid on each  
20 installment date for such taxable year, unless the taxpayer  
21 establishes the dates on which all amounts were actually  
22 withheld, in which case the amounts so withheld shall be  
23 deemed payments of estimated tax on the dates on which such  
24 amounts were actually withheld;

25 (2) amounts timely paid by a partnership, Subchapter S  
26 corporation, or trust on behalf of a partner, shareholder,

1 or beneficiary pursuant to subsection (f) of Section 502 or  
2 Section 709.5 and claimed as a payment of estimated tax  
3 shall be deemed a payment of estimated tax made on the last  
4 day of the taxable year of the partnership, Subchapter S  
5 corporation, or trust for which the income from the  
6 withholding is made was computed; and

7 (3) all other amounts pursuant to Article 7 shall be  
8 deemed a payment of estimated tax on the date the payment  
9 is made to the taxpayer of the amount from which the tax is  
10 withheld.

11 (g-5) Amounts withheld under the State Salary and Annuity  
12 Withholding Act. An individual who has amounts withheld under  
13 paragraph (10) of Section 4 of the State Salary and Annuity  
14 Withholding Act may elect to have those amounts treated as  
15 payments of estimated tax made on the dates on which those  
16 amounts are actually withheld.

17 (g-10) Notwithstanding any other provision of law, no  
18 penalty shall apply with respect to an underpayment of  
19 estimated tax for the first, second, or third quarter of any  
20 taxable year beginning on or after January 1, 2017 and  
21 beginning prior to January 1, 2018 if (i) the underpayment was  
22 due to the changes made by this amendatory Act of the 100th  
23 General Assembly, (ii) the payment was otherwise timely made,  
24 and (iii) the balance due is included with the taxpayer's  
25 estimated tax payment for the fourth quarter.

26 (i) Short taxable year. The application of this Section to

1 taxable years of less than 12 months shall be in accordance  
2 with regulations prescribed by the Department.

3 The changes in this Section made by Public Act 84-127 shall  
4 apply to taxable years ending on or after January 1, 1986.

5 (Source: P.A. 96-1496, eff. 1-13-11; 97-507, eff. 8-23-11;  
6 97-636, eff. 6-1-12.)

7 (35 ILCS 5/901) (from Ch. 120, par. 9-901)

8 Sec. 901. Collection authority.

9 (a) In general.

10 The Department shall collect the taxes imposed by this Act.  
11 The Department shall collect certified past due child support  
12 amounts under Section 2505-650 of the Department of Revenue Law  
13 (20 ILCS 2505/2505-650). Except as provided in subsections (c),  
14 (e), (f), (g), and (h) of this Section, money collected  
15 pursuant to subsections (a) and (b) of Section 201 of this Act  
16 shall be paid into the General Revenue Fund in the State  
17 treasury; money collected pursuant to subsections (c) and (d)  
18 of Section 201 of this Act shall be paid into the Personal  
19 Property Tax Replacement Fund, a special fund in the State  
20 Treasury; and money collected under Section 2505-650 of the  
21 Department of Revenue Law (20 ILCS 2505/2505-650) shall be paid  
22 into the Child Support Enforcement Trust Fund, a special fund  
23 outside the State Treasury, or to the State Disbursement Unit  
24 established under Section 10-26 of the Illinois Public Aid  
25 Code, as directed by the Department of Healthcare and Family

1 Services.

2 (b) Local Government Distributive Fund.

3 Beginning August 1, 1969, and continuing through June 30,  
4 1994, the Treasurer shall transfer each month from the General  
5 Revenue Fund to a special fund in the State treasury, to be  
6 known as the "Local Government Distributive Fund", an amount  
7 equal to 1/12 of the net revenue realized from the tax imposed  
8 by subsections (a) and (b) of Section 201 of this Act during  
9 the preceding month. Beginning July 1, 1994, and continuing  
10 through June 30, 1995, the Treasurer shall transfer each month  
11 from the General Revenue Fund to the Local Government  
12 Distributive Fund an amount equal to 1/11 of the net revenue  
13 realized from the tax imposed by subsections (a) and (b) of  
14 Section 201 of this Act during the preceding month. Beginning  
15 July 1, 1995 and continuing through January 31, 2011, the  
16 Treasurer shall transfer each month from the General Revenue  
17 Fund to the Local Government Distributive Fund an amount equal  
18 to the net of (i) 1/10 of the net revenue realized from the tax  
19 imposed by subsections (a) and (b) of Section 201 of the  
20 Illinois Income Tax Act during the preceding month (ii) minus,  
21 beginning July 1, 2003 and ending June 30, 2004, \$6,666,666,  
22 and beginning July 1, 2004, zero. Beginning February 1, 2011,  
23 and continuing through January 31, 2015, the Treasurer shall  
24 transfer each month from the General Revenue Fund to the Local  
25 Government Distributive Fund an amount equal to the sum of (i)  
26 6% (10% of the ratio of the 3% individual income tax rate prior

1 to 2011 to the 5% individual income tax rate after 2010) of the  
2 net revenue realized from the tax imposed by subsections (a)  
3 and (b) of Section 201 of this Act upon individuals, trusts,  
4 and estates during the preceding month and (ii) 6.86% (10% of  
5 the ratio of the 4.8% corporate income tax rate prior to 2011  
6 to the 7% corporate income tax rate after 2010) of the net  
7 revenue realized from the tax imposed by subsections (a) and  
8 (b) of Section 201 of this Act upon corporations during the  
9 preceding month. Beginning February 1, 2015 and continuing  
10 through January 31, 2017 ~~January 31, 2025~~, the Treasurer shall  
11 transfer each month from the General Revenue Fund to the Local  
12 Government Distributive Fund an amount equal to the sum of (i)  
13 8% (10% of the ratio of the 3% individual income tax rate prior  
14 to 2011 to the 3.75% individual income tax rate after 2014) of  
15 the net revenue realized from the tax imposed by subsections  
16 (a) and (b) of Section 201 of this Act upon individuals,  
17 trusts, and estates during the preceding month and (ii) 9.14%  
18 (10% of the ratio of the 4.8% corporate income tax rate prior  
19 to 2011 to the 5.25% corporate income tax rate after 2014) of  
20 the net revenue realized from the tax imposed by subsections  
21 (a) and (b) of Section 201 of this Act upon corporations during  
22 the preceding month. Beginning February 1, 2017 ~~February 1,~~  
23 ~~2025~~, the Treasurer shall transfer each month from the General  
24 Revenue Fund to the Local Government Distributive Fund an  
25 amount equal to the sum of (i) 6.02% ~~9.23%~~ (10% of the ratio of  
26 the 3% individual income tax rate prior to 2011 to the 4.99%

1 ~~3.25%~~ individual income tax rate beginning in 2017 after 2024)  
2 of the net revenue realized from the tax imposed by subsections  
3 (a) and (b) of Section 201 of this Act upon individuals,  
4 trusts, and estates during the preceding month and (ii) 6.86%  
5 (10% of the ratio of the 4.8% corporate income tax rate prior  
6 to 2011 to the 7% corporate income tax rate beginning in 2017)  
7 ~~10%~~ of the net revenue realized from the tax imposed by  
8 subsections (a) and (b) of Section 201 of this Act upon  
9 corporations during the preceding month. Net revenue realized  
10 for a month shall be defined as the revenue from the tax  
11 imposed by subsections (a) and (b) of Section 201 of this Act  
12 which is deposited in the General Revenue Fund, the Education  
13 Assistance Fund, the Income Tax Surcharge Local Government  
14 Distributive Fund, the Fund for the Advancement of Education,  
15 and the Commitment to Human Services Fund during the month  
16 minus the amount paid out of the General Revenue Fund in State  
17 warrants during that same month as refunds to taxpayers for  
18 overpayment of liability under the tax imposed by subsections  
19 (a) and (b) of Section 201 of this Act.

20 Beginning on August 26, 2014 (the effective date of Public  
21 Act 98-1052), the Comptroller shall perform the transfers  
22 required by this subsection (b) no later than 60 days after he  
23 or she receives the certification from the Treasurer as  
24 provided in Section 1 of the State Revenue Sharing Act.

25 (c) Deposits Into Income Tax Refund Fund.

26 (1) Beginning on January 1, 1989 and thereafter, the



1 Department shall deposit a percentage of the amounts  
2 collected pursuant to subsections (a) and (b) (1), (2), and  
3 (3), of Section 201 of this Act into a fund in the State  
4 treasury known as the Income Tax Refund Fund. The  
5 Department shall deposit 6% of such amounts during the  
6 period beginning January 1, 1989 and ending on June 30,  
7 1989. Beginning with State fiscal year 1990 and for each  
8 fiscal year thereafter, the percentage deposited into the  
9 Income Tax Refund Fund during a fiscal year shall be the  
10 Annual Percentage. For fiscal years 1999 through 2001, the  
11 Annual Percentage shall be 7.1%. For fiscal year 2003, the  
12 Annual Percentage shall be 8%. For fiscal year 2004, the  
13 Annual Percentage shall be 11.7%. Upon the effective date  
14 of this amendatory Act of the 93rd General Assembly, the  
15 Annual Percentage shall be 10% for fiscal year 2005. For  
16 fiscal year 2006, the Annual Percentage shall be 9.75%. For  
17 fiscal year 2007, the Annual Percentage shall be 9.75%. For  
18 fiscal year 2008, the Annual Percentage shall be 7.75%. For  
19 fiscal year 2009, the Annual Percentage shall be 9.75%. For  
20 fiscal year 2010, the Annual Percentage shall be 9.75%. For  
21 fiscal year 2011, the Annual Percentage shall be 8.75%. For  
22 fiscal year 2012, the Annual Percentage shall be 8.75%. For  
23 fiscal year 2013, the Annual Percentage shall be 9.75%. For  
24 fiscal year 2014, the Annual Percentage shall be 9.5%. For  
25 fiscal year 2015, the Annual Percentage shall be 10%. For  
26 all other fiscal years, the Annual Percentage shall be

1 calculated as a fraction, the numerator of which shall be  
2 the amount of refunds approved for payment by the  
3 Department during the preceding fiscal year as a result of  
4 overpayment of tax liability under subsections (a) and  
5 (b) (1), (2), and (3) of Section 201 of this Act plus the  
6 amount of such refunds remaining approved but unpaid at the  
7 end of the preceding fiscal year, minus the amounts  
8 transferred into the Income Tax Refund Fund from the  
9 Tobacco Settlement Recovery Fund, and the denominator of  
10 which shall be the amounts which will be collected pursuant  
11 to subsections (a) and (b) (1), (2), and (3) of Section 201  
12 of this Act during the preceding fiscal year; except that  
13 in State fiscal year 2002, the Annual Percentage shall in  
14 no event exceed 7.6%. The Director of Revenue shall certify  
15 the Annual Percentage to the Comptroller on the last  
16 business day of the fiscal year immediately preceding the  
17 fiscal year for which it is to be effective.

18 (2) Beginning on January 1, 1989 and thereafter, the  
19 Department shall deposit a percentage of the amounts  
20 collected pursuant to subsections (a) and (b) (6), (7), and  
21 (8), (c) and (d) of Section 201 of this Act into a fund in  
22 the State treasury known as the Income Tax Refund Fund. The  
23 Department shall deposit 18% of such amounts during the  
24 period beginning January 1, 1989 and ending on June 30,  
25 1989. Beginning with State fiscal year 1990 and for each  
26 fiscal year thereafter, the percentage deposited into the

1       Income Tax Refund Fund during a fiscal year shall be the  
2       Annual Percentage. For fiscal years 1999, 2000, and 2001,  
3       the Annual Percentage shall be 19%. For fiscal year 2003,  
4       the Annual Percentage shall be 27%. For fiscal year 2004,  
5       the Annual Percentage shall be 32%. Upon the effective date  
6       of this amendatory Act of the 93rd General Assembly, the  
7       Annual Percentage shall be 24% for fiscal year 2005. For  
8       fiscal year 2006, the Annual Percentage shall be 20%. For  
9       fiscal year 2007, the Annual Percentage shall be 17.5%. For  
10      fiscal year 2008, the Annual Percentage shall be 15.5%. For  
11      fiscal year 2009, the Annual Percentage shall be 17.5%. For  
12      fiscal year 2010, the Annual Percentage shall be 17.5%. For  
13      fiscal year 2011, the Annual Percentage shall be 17.5%. For  
14      fiscal year 2012, the Annual Percentage shall be 17.5%. For  
15      fiscal year 2013, the Annual Percentage shall be 14%. For  
16      fiscal year 2014, the Annual Percentage shall be 13.4%. For  
17      fiscal year 2015, the Annual Percentage shall be 14%. For  
18      all other fiscal years, the Annual Percentage shall be  
19      calculated as a fraction, the numerator of which shall be  
20      the amount of refunds approved for payment by the  
21      Department during the preceding fiscal year as a result of  
22      overpayment of tax liability under subsections (a) and  
23      (b) (6), (7), and (8), (c) and (d) of Section 201 of this  
24      Act plus the amount of such refunds remaining approved but  
25      unpaid at the end of the preceding fiscal year, and the  
26      denominator of which shall be the amounts which will be

1 collected pursuant to subsections (a) and (b) (6), (7), and  
2 (8), (c) and (d) of Section 201 of this Act during the  
3 preceding fiscal year; except that in State fiscal year  
4 2002, the Annual Percentage shall in no event exceed 23%.  
5 The Director of Revenue shall certify the Annual Percentage  
6 to the Comptroller on the last business day of the fiscal  
7 year immediately preceding the fiscal year for which it is  
8 to be effective.

9 (3) The Comptroller shall order transferred and the  
10 Treasurer shall transfer from the Tobacco Settlement  
11 Recovery Fund to the Income Tax Refund Fund (i) \$35,000,000  
12 in January, 2001, (ii) \$35,000,000 in January, 2002, and  
13 (iii) \$35,000,000 in January, 2003.

14 (d) Expenditures from Income Tax Refund Fund.

15 (1) Beginning January 1, 1989, money in the Income Tax  
16 Refund Fund shall be expended exclusively for the purpose  
17 of paying refunds resulting from overpayment of tax  
18 liability under Section 201 of this Act, for paying rebates  
19 under Section 208.1 in the event that the amounts in the  
20 Homeowners' Tax Relief Fund are insufficient for that  
21 purpose, and for making transfers pursuant to this  
22 subsection (d).

23 (2) The Director shall order payment of refunds  
24 resulting from overpayment of tax liability under Section  
25 201 of this Act from the Income Tax Refund Fund only to the  
26 extent that amounts collected pursuant to Section 201 of

1           this Act and transfers pursuant to this subsection (d) and  
2           item (3) of subsection (c) have been deposited and retained  
3           in the Fund.

4           (3) As soon as possible after the end of each fiscal  
5           year, the Director shall order transferred and the State  
6           Treasurer and State Comptroller shall transfer from the  
7           Income Tax Refund Fund to the Personal Property Tax  
8           Replacement Fund an amount, certified by the Director to  
9           the Comptroller, equal to the excess of the amount  
10          collected pursuant to subsections (c) and (d) of Section  
11          201 of this Act deposited into the Income Tax Refund Fund  
12          during the fiscal year over the amount of refunds resulting  
13          from overpayment of tax liability under subsections (c) and  
14          (d) of Section 201 of this Act paid from the Income Tax  
15          Refund Fund during the fiscal year.

16          (4) As soon as possible after the end of each fiscal  
17          year, the Director shall order transferred and the State  
18          Treasurer and State Comptroller shall transfer from the  
19          Personal Property Tax Replacement Fund to the Income Tax  
20          Refund Fund an amount, certified by the Director to the  
21          Comptroller, equal to the excess of the amount of refunds  
22          resulting from overpayment of tax liability under  
23          subsections (c) and (d) of Section 201 of this Act paid  
24          from the Income Tax Refund Fund during the fiscal year over  
25          the amount collected pursuant to subsections (c) and (d) of  
26          Section 201 of this Act deposited into the Income Tax

1 Refund Fund during the fiscal year.

2 (4.5) As soon as possible after the end of fiscal year  
3 1999 and of each fiscal year thereafter, the Director shall  
4 order transferred and the State Treasurer and State  
5 Comptroller shall transfer from the Income Tax Refund Fund  
6 to the General Revenue Fund any surplus remaining in the  
7 Income Tax Refund Fund as of the end of such fiscal year;  
8 excluding for fiscal years 2000, 2001, and 2002 amounts  
9 attributable to transfers under item (3) of subsection (c)  
10 less refunds resulting from the earned income tax credit.

11 (5) This Act shall constitute an irrevocable and  
12 continuing appropriation from the Income Tax Refund Fund  
13 for the purpose of paying refunds upon the order of the  
14 Director in accordance with the provisions of this Section.

15 (e) Deposits into the Education Assistance Fund and the  
16 Income Tax Surcharge Local Government Distributive Fund.

17 On July 1, 1991, and thereafter, of the amounts collected  
18 pursuant to subsections (a) and (b) of Section 201 of this Act,  
19 minus deposits into the Income Tax Refund Fund, the Department  
20 shall deposit 7.3% into the Education Assistance Fund in the  
21 State Treasury. Beginning July 1, 1991, and continuing through  
22 January 31, 1993, of the amounts collected pursuant to  
23 subsections (a) and (b) of Section 201 of the Illinois Income  
24 Tax Act, minus deposits into the Income Tax Refund Fund, the  
25 Department shall deposit 3.0% into the Income Tax Surcharge  
26 Local Government Distributive Fund in the State Treasury.

1 Beginning February 1, 1993 and continuing through June 30,  
2 1993, of the amounts collected pursuant to subsections (a) and  
3 (b) of Section 201 of the Illinois Income Tax Act, minus  
4 deposits into the Income Tax Refund Fund, the Department shall  
5 deposit 4.4% into the Income Tax Surcharge Local Government  
6 Distributive Fund in the State Treasury. Beginning July 1,  
7 1993, and continuing through June 30, 1994, of the amounts  
8 collected under subsections (a) and (b) of Section 201 of this  
9 Act, minus deposits into the Income Tax Refund Fund, the  
10 Department shall deposit 1.475% into the Income Tax Surcharge  
11 Local Government Distributive Fund in the State Treasury.

12 (f) Deposits into the Fund for the Advancement of  
13 Education. Beginning February 1, 2015, the Department shall  
14 deposit the following portions of the revenue realized from the  
15 tax imposed upon individuals, trusts, and estates by  
16 subsections (a) and (b) of Section 201 of this Act during the  
17 preceding month, minus deposits into the Income Tax Refund  
18 Fund, into the Fund for the Advancement of Education:

19 (1) beginning February 1, 2015, and prior to February  
20 1, 2025, 1/30; and

21 (2) beginning February 1, 2025, 1/26.

22 If the rate of tax imposed by subsection (a) and (b) of  
23 Section 201 is reduced pursuant to Section 201.5 of this Act,  
24 the Department shall not make the deposits required by this  
25 subsection (f) on or after the effective date of the reduction.

26 (g) Deposits into the Commitment to Human Services Fund.

1 Beginning February 1, 2015, the Department shall deposit the  
2 following portions of the revenue realized from the tax imposed  
3 upon individuals, trusts, and estates by subsections (a) and  
4 (b) of Section 201 of this Act during the preceding month,  
5 minus deposits into the Income Tax Refund Fund, into the  
6 Commitment to Human Services Fund:

7 (1) beginning February 1, 2015, and prior to February  
8 1, 2025, 1/30; and

9 (2) beginning February 1, 2025, 1/26.

10 If the rate of tax imposed by subsection (a) and (b) of  
11 Section 201 is reduced pursuant to Section 201.5 of this Act,  
12 the Department shall not make the deposits required by this  
13 subsection (g) on or after the effective date of the reduction.

14 (h) Deposits into the Tax Compliance and Administration  
15 Fund. Beginning on the first day of the first calendar month to  
16 occur on or after August 26, 2014 (the effective date of Public  
17 Act 98-1098), each month the Department shall pay into the Tax  
18 Compliance and Administration Fund, to be used, subject to  
19 appropriation, to fund additional auditors and compliance  
20 personnel at the Department, an amount equal to 1/12 of 5% of  
21 the cash receipts collected during the preceding fiscal year by  
22 the Audit Bureau of the Department from the tax imposed by  
23 subsections (a), (b), (c), and (d) of Section 201 of this Act,  
24 net of deposits into the Income Tax Refund Fund made from those  
25 cash receipts.

26 (Source: P.A. 98-24, eff. 6-19-13; 98-674, eff. 6-30-14;



1 98-1052, eff. 8-26-14; 98-1098, eff. 8-26-14; 99-78, eff.  
2 7-20-15.)

3 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

4 Sec. 1501. Definitions.

5 (a) In general. When used in this Act, where not otherwise  
6 distinctly expressed or manifestly incompatible with the  
7 intent thereof:

8 (1) Business income. The term "business income" means  
9 all income that may be treated as apportionable business  
10 income under the Constitution of the United States.  
11 Business income is net of the deductions allocable thereto.  
12 Such term does not include compensation or the deductions  
13 allocable thereto. For each taxable year beginning on or  
14 after January 1, 2003, a taxpayer may elect to treat all  
15 income other than compensation as business income. This  
16 election shall be made in accordance with rules adopted by  
17 the Department and, once made, shall be irrevocable.

18 (1.5) Captive real estate investment trust:

19 (A) The term "captive real estate investment  
20 trust" means a corporation, trust, or association:

21 (i) that is considered a real estate  
22 investment trust for the taxable year under  
23 Section 856 of the Internal Revenue Code;

24 (ii) the certificates of beneficial interest  
25 or shares of which are not regularly traded on an

1 established securities market; and

2 (iii) of which more than 50% of the voting  
3 power or value of the beneficial interest or  
4 shares, at any time during the last half of the  
5 taxable year, is owned or controlled, directly,  
6 indirectly, or constructively, by a single  
7 corporation.

8 (B) The term "captive real estate investment  
9 trust" does not include:

10 (i) a real estate investment trust of which  
11 more than 50% of the voting power or value of the  
12 beneficial interest or shares is owned or  
13 controlled, directly, indirectly, or  
14 constructively, by:

15 (a) a real estate investment trust, other  
16 than a captive real estate investment trust;

17 (b) a person who is exempt from taxation  
18 under Section 501 of the Internal Revenue Code,  
19 and who is not required to treat income  
20 received from the real estate investment trust  
21 as unrelated business taxable income under  
22 Section 512 of the Internal Revenue Code;

23 (c) a listed Australian property trust, if  
24 no more than 50% of the voting power or value  
25 of the beneficial interest or shares of that  
26 trust, at any time during the last half of the

1 taxable year, is owned or controlled, directly  
2 or indirectly, by a single person;

3 (d) an entity organized as a trust,  
4 provided a listed Australian property trust  
5 described in subparagraph (c) owns or  
6 controls, directly or indirectly, or  
7 constructively, 75% or more of the voting power  
8 or value of the beneficial interests or shares  
9 of such entity; or

10 (e) an entity that is organized outside of  
11 the laws of the United States and that  
12 satisfies all of the following criteria:

13 (1) at least 75% of the entity's total  
14 asset value at the close of its taxable  
15 year is represented by real estate assets  
16 (as defined in Section 856(c)(5)(B) of the  
17 Internal Revenue Code, thereby including  
18 shares or certificates of beneficial  
19 interest in any real estate investment  
20 trust), cash and cash equivalents, and  
21 U.S. Government securities;

22 (2) the entity is not subject to tax on  
23 amounts that are distributed to its  
24 beneficial owners or is exempt from  
25 entity-level taxation;

26 (3) the entity distributes at least

1 85% of its taxable income (as computed in  
2 the jurisdiction in which it is organized)  
3 to the holders of its shares or  
4 certificates of beneficial interest on an  
5 annual basis;

6 (4) either (i) the shares or  
7 beneficial interests of the entity are  
8 regularly traded on an established  
9 securities market or (ii) not more than 10%  
10 of the voting power or value in the entity  
11 is held, directly, indirectly, or  
12 constructively, by a single entity or  
13 individual; and

14 (5) the entity is organized in a  
15 country that has entered into a tax treaty  
16 with the United States; or

17 (ii) during its first taxable year for which it  
18 elects to be treated as a real estate investment  
19 trust under Section 856(c)(1) of the Internal  
20 Revenue Code, a real estate investment trust the  
21 certificates of beneficial interest or shares of  
22 which are not regularly traded on an established  
23 securities market, but only if the certificates of  
24 beneficial interest or shares of the real estate  
25 investment trust are regularly traded on an  
26 established securities market prior to the earlier

1 of the due date (including extensions) for filing  
2 its return under this Act for that first taxable  
3 year or the date it actually files that return.

4 (C) For the purposes of this subsection (1.5), the  
5 constructive ownership rules prescribed under Section  
6 318(a) of the Internal Revenue Code, as modified by  
7 Section 856(d) (5) of the Internal Revenue Code, apply  
8 in determining the ownership of stock, assets, or net  
9 profits of any person.

10 (D) For the purposes of this item (1.5), for  
11 taxable years ending on or after August 16, 2007, the  
12 voting power or value of the beneficial interest or  
13 shares of a real estate investment trust does not  
14 include any voting power or value of beneficial  
15 interest or shares in a real estate investment trust  
16 held directly or indirectly in a segregated asset  
17 account by a life insurance company (as described in  
18 Section 817 of the Internal Revenue Code) to the extent  
19 such voting power or value is for the benefit of  
20 entities or persons who are either immune from taxation  
21 or exempt from taxation under subtitle A of the  
22 Internal Revenue Code.

23 (2) Commercial domicile. The term "commercial  
24 domicile" means the principal place from which the trade or  
25 business of the taxpayer is directed or managed.

26 (3) Compensation. The term "compensation" means wages,

1 salaries, commissions and any other form of remuneration  
2 paid to employees for personal services.

3 (4) Corporation. The term "corporation" includes  
4 associations, joint-stock companies, insurance companies  
5 and cooperatives. Any entity, including a limited  
6 liability company formed under the Illinois Limited  
7 Liability Company Act, shall be treated as a corporation if  
8 it is so classified for federal income tax purposes.

9 (5) Department. The term "Department" means the  
10 Department of Revenue of this State.

11 (6) Director. The term "Director" means the Director of  
12 Revenue of this State.

13 (7) Fiduciary. The term "fiduciary" means a guardian,  
14 trustee, executor, administrator, receiver, or any person  
15 acting in any fiduciary capacity for any person.

16 (8) Financial organization.

17 (A) The term "financial organization" means any  
18 bank, bank holding company, trust company, savings  
19 bank, industrial bank, land bank, safe deposit  
20 company, private banker, savings and loan association,  
21 building and loan association, credit union, currency  
22 exchange, cooperative bank, small loan company, sales  
23 finance company, investment company, or any person  
24 which is owned by a bank or bank holding company. For  
25 the purpose of this Section a "person" will include  
26 only those persons which a bank holding company may



1 retail charge agreement within the meaning of  
2 the Sales Finance Agency Act, the Retail  
3 Installment Sales Act, or the Motor Vehicle  
4 Retail Installment Sales Act;

5 (b) an installment, charge, credit, or  
6 similar contract or agreement arising from the  
7 sale of tangible personal property or services  
8 in a transaction involving a deferred payment  
9 price payable in one or more installments  
10 subsequent to the sale; or

11 (c) the outstanding balance of a contract  
12 or agreement described in provisions (a) or (b)  
13 of this item (i).

14 A customer receivable need not provide for  
15 payment of interest on deferred payments. A sales  
16 finance company may purchase a customer receivable  
17 from, or make a loan secured by a customer  
18 receivable to, the seller in the original  
19 transaction or to a person who purchased the  
20 customer receivable directly or indirectly from  
21 that seller.

22 (ii) A corporation meeting each of the  
23 following criteria:

24 (a) the corporation must be a member of an  
25 "affiliated group" within the meaning of  
26 Section 1504(a) of the Internal Revenue Code,



1 determined without regard to Section 1504(b)  
2 of the Internal Revenue Code;

3 (b) more than 50% of the gross income of  
4 the corporation for the taxable year must be  
5 interest income derived from qualifying loans.  
6 A "qualifying loan" is a loan made to a member  
7 of the corporation's affiliated group that  
8 originates customer receivables (within the  
9 meaning of item (i)) or to whom customer  
10 receivables originated by a member of the  
11 affiliated group have been transferred, to the  
12 extent the average outstanding balance of  
13 loans from that corporation to members of its  
14 affiliated group during the taxable year do not  
15 exceed the limitation amount for that  
16 corporation. The "limitation amount" for a  
17 corporation is the average outstanding  
18 balances during the taxable year of customer  
19 receivables (within the meaning of item (i))  
20 originated by all members of the affiliated  
21 group. If the average outstanding balances of  
22 the loans made by a corporation to members of  
23 its affiliated group exceed the limitation  
24 amount, the interest income of that  
25 corporation from qualifying loans shall be  
26 equal to its interest income from loans to

1 members of its affiliated groups times a  
2 fraction equal to the limitation amount  
3 divided by the average outstanding balances of  
4 the loans made by that corporation to members  
5 of its affiliated group;

6 (c) the total of all shareholder's equity  
7 (including, without limitation, paid-in  
8 capital on common and preferred stock and  
9 retained earnings) of the corporation plus the  
10 total of all of its loans, advances, and other  
11 obligations payable or owed to members of its  
12 affiliated group may not exceed 20% of the  
13 total assets of the corporation at any time  
14 during the tax year; and

15 (d) more than 50% of all interest-bearing  
16 obligations of the affiliated group payable to  
17 persons outside the group determined in  
18 accordance with generally accepted accounting  
19 principles must be obligations of the  
20 corporation.

21 This amendatory Act of the 91st General Assembly is  
22 declaratory of existing law.

23 (D) Subparagraphs (B) and (C) of this paragraph are  
24 declaratory of existing law and apply retroactively,  
25 for all tax years beginning on or before December 31,  
26 1996, to all original returns, to all amended returns

1 filed no later than 30 days after the effective date of  
2 this amendatory Act of 1996, and to all notices issued  
3 on or before the effective date of this amendatory Act  
4 of 1996 under subsection (a) of Section 903, subsection  
5 (a) of Section 904, subsection (e) of Section 909, or  
6 Section 912. A taxpayer that is a "financial  
7 organization" that engages in any transaction with an  
8 affiliate shall be a "financial organization" for all  
9 purposes of this Act.

10 (E) For all tax years beginning on or before  
11 December 31, 1996, a taxpayer that falls within the  
12 definition of a "financial organization" under  
13 subparagraphs (B) or (C) of this paragraph, but who  
14 does not fall within the definition of a "financial  
15 organization" under the Proposed Regulations issued by  
16 the Department of Revenue on July 19, 1996, may  
17 irrevocably elect to apply the Proposed Regulations  
18 for all of those years as though the Proposed  
19 Regulations had been lawfully promulgated, adopted,  
20 and in effect for all of those years. For purposes of  
21 applying subparagraphs (B) or (C) of this paragraph to  
22 all of those years, the election allowed by this  
23 subparagraph applies only to the taxpayer making the  
24 election and to those members of the taxpayer's unitary  
25 business group who are ordinarily required to  
26 apportion business income under the same subsection of

1 Section 304 of this Act as the taxpayer making the  
2 election. No election allowed by this subparagraph  
3 shall be made under a claim filed under subsection (d)  
4 of Section 909 more than 30 days after the effective  
5 date of this amendatory Act of 1996.

6 (F) Finance Leases. For purposes of this  
7 subsection, a finance lease shall be treated as a loan  
8 or other extension of credit, rather than as a lease,  
9 regardless of how the transaction is characterized for  
10 any other purpose, including the purposes of any  
11 regulatory agency to which the lessor is subject. A  
12 finance lease is any transaction in the form of a lease  
13 in which the lessee is treated as the owner of the  
14 leased asset entitled to any deduction for  
15 depreciation allowed under Section 167 of the Internal  
16 Revenue Code.

17 (9) Fiscal year. The term "fiscal year" means an  
18 accounting period of 12 months ending on the last day of  
19 any month other than December.

20 (9.5) Fixed place of business. The term "fixed place of  
21 business" has the same meaning as that term is given in  
22 Section 864 of the Internal Revenue Code and the related  
23 Treasury regulations.

24 (10) Includes and including. The terms "includes" and  
25 "including" when used in a definition contained in this Act  
26 shall not be deemed to exclude other things otherwise

1 within the meaning of the term defined.

2 (11) Internal Revenue Code. The term "Internal Revenue  
3 Code" means the United States Internal Revenue Code of 1954  
4 or any successor law or laws relating to federal income  
5 taxes in effect for the taxable year.

6 (11.5) Investment partnership.

7 (A) The term "investment partnership" means any  
8 entity that is treated as a partnership for federal  
9 income tax purposes that meets the following  
10 requirements:

11 (i) no less than 90% of the partnership's cost  
12 of its total assets consists of qualifying  
13 investment securities, deposits at banks or other  
14 financial institutions, and office space and  
15 equipment reasonably necessary to carry on its  
16 activities as an investment partnership;

17 (ii) no less than 90% of its gross income  
18 consists of interest, dividends, and gains from  
19 the sale or exchange of qualifying investment  
20 securities; and

21 (iii) the partnership is not a dealer in  
22 qualifying investment securities.

23 (B) For purposes of this paragraph (11.5), the term  
24 "qualifying investment securities" includes all of the  
25 following:

26 (i) common stock, including preferred or debt

1 securities convertible into common stock, and  
2 preferred stock;

3 (ii) bonds, debentures, and other debt  
4 securities;

5 (iii) foreign and domestic currency deposits  
6 secured by federal, state, or local governmental  
7 agencies;

8 (iv) mortgage or asset-backed securities  
9 secured by federal, state, or local governmental  
10 agencies;

11 (v) repurchase agreements and loan  
12 participations;

13 (vi) foreign currency exchange contracts and  
14 forward and futures contracts on foreign  
15 currencies;

16 (vii) stock and bond index securities and  
17 futures contracts and other similar financial  
18 securities and futures contracts on those  
19 securities;

20 (viii) options for the purchase or sale of any  
21 of the securities, currencies, contracts, or  
22 financial instruments described in items (i) to  
23 (vii), inclusive;

24 (ix) regulated futures contracts;

25 (x) commodities (not described in Section  
26 1221(a)(1) of the Internal Revenue Code) or

1 futures, forwards, and options with respect to  
2 such commodities, provided, however, that any item  
3 of a physical commodity to which title is actually  
4 acquired in the partnership's capacity as a dealer  
5 in such commodity shall not be a qualifying  
6 investment security;

7 (xi) derivatives; and

8 (xii) a partnership interest in another  
9 partnership that is an investment partnership.

10 (12) Mathematical error. The term "mathematical error"  
11 includes the following types of errors, omissions, or  
12 defects in a return filed by a taxpayer which prevents  
13 acceptance of the return as filed for processing:

14 (A) arithmetic errors or incorrect computations on  
15 the return or supporting schedules;

16 (B) entries on the wrong lines;

17 (C) omission of required supporting forms or  
18 schedules or the omission of the information in whole  
19 or in part called for thereon; and

20 (D) an attempt to claim, exclude, deduct, or  
21 improperly report, in a manner directly contrary to the  
22 provisions of the Act and regulations thereunder any  
23 item of income, exemption, deduction, or credit.

24 (13) Nonbusiness income. The term "nonbusiness income"  
25 means all income other than business income or  
26 compensation.

1           (14) Nonresident. The term "nonresident" means a  
2 person who is not a resident.

3           (15) Paid, incurred and accrued. The terms "paid",  
4 "incurred" and "accrued" shall be construed according to  
5 the method of accounting upon the basis of which the  
6 person's base income is computed under this Act.

7           (16) Partnership and partner. The term "partnership"  
8 includes a syndicate, group, pool, joint venture or other  
9 unincorporated organization, through or by means of which  
10 any business, financial operation, or venture is carried  
11 on, and which is not, within the meaning of this Act, a  
12 trust or estate or a corporation; and the term "partner"  
13 includes a member in such syndicate, group, pool, joint  
14 venture or organization.

15           The term "partnership" includes any entity, including  
16 a limited liability company formed under the Illinois  
17 Limited Liability Company Act, classified as a partnership  
18 for federal income tax purposes.

19           The term "partnership" does not include a syndicate,  
20 group, pool, joint venture, or other unincorporated  
21 organization established for the sole purpose of playing  
22 the Illinois State Lottery.

23           (17) Part-year resident. The term "part-year resident"  
24 means an individual who became a resident during the  
25 taxable year or ceased to be a resident during the taxable  
26 year. Under Section 1501(a)(20)(A)(i) residence commences



1 with presence in this State for other than a temporary or  
2 transitory purpose and ceases with absence from this State  
3 for other than a temporary or transitory purpose. Under  
4 Section 1501(a)(20)(A)(ii) residence commences with the  
5 establishment of domicile in this State and ceases with the  
6 establishment of domicile in another State.

7 (18) Person. The term "person" shall be construed to  
8 mean and include an individual, a trust, estate,  
9 partnership, association, firm, company, corporation,  
10 limited liability company, or fiduciary. For purposes of  
11 Section 1301 and 1302 of this Act, a "person" means (i) an  
12 individual, (ii) a corporation, (iii) an officer, agent, or  
13 employee of a corporation, (iv) a member, agent or employee  
14 of a partnership, or (v) a member, manager, employee,  
15 officer, director, or agent of a limited liability company  
16 who in such capacity commits an offense specified in  
17 Section 1301 and 1302.

18 (18A) Records. The term "records" includes all data  
19 maintained by the taxpayer, whether on paper, microfilm,  
20 microfiche, or any type of machine-sensible data  
21 compilation.

22 (19) Regulations. The term "regulations" includes  
23 rules promulgated and forms prescribed by the Department.

24 (20) Resident. The term "resident" means:

25 (A) an individual (i) who is in this State for  
26 other than a temporary or transitory purpose during the

1 taxable year; or (ii) who is domiciled in this State  
2 but is absent from the State for a temporary or  
3 transitory purpose during the taxable year;

4 (B) The estate of a decedent who at his or her  
5 death was domiciled in this State;

6 (C) A trust created by a will of a decedent who at  
7 his death was domiciled in this State; and

8 (D) An irrevocable trust, the grantor of which was  
9 domiciled in this State at the time such trust became  
10 irrevocable. For purpose of this subparagraph, a trust  
11 shall be considered irrevocable to the extent that the  
12 grantor is not treated as the owner thereof under  
13 Sections 671 through 678 of the Internal Revenue Code.

14 (21) Sales. The term "sales" means all gross receipts  
15 of the taxpayer not allocated under Sections 301, 302 and  
16 303.

17 (22) State. The term "state" when applied to a  
18 jurisdiction other than this State means any state of the  
19 United States, the District of Columbia, the Commonwealth  
20 of Puerto Rico, any Territory or Possession of the United  
21 States, and any foreign country, or any political  
22 subdivision of any of the foregoing. For purposes of the  
23 foreign tax credit under Section 601, the term "state"  
24 means any state of the United States, the District of  
25 Columbia, the Commonwealth of Puerto Rico, and any  
26 territory or possession of the United States, or any

1 political subdivision of any of the foregoing, effective  
2 for tax years ending on or after December 31, 1989.

3 (23) Taxable year. The term "taxable year" means the  
4 calendar year, or the fiscal year ending during such  
5 calendar year, upon the basis of which the base income is  
6 computed under this Act. "Taxable year" means, in the case  
7 of a return made for a fractional part of a year under the  
8 provisions of this Act, the period for which such return is  
9 made.

10 (24) Taxpayer. The term "taxpayer" means any person  
11 subject to the tax imposed by this Act.

12 (25) International banking facility. The term  
13 international banking facility shall have the same meaning  
14 as is set forth in the Illinois Banking Act or as is set  
15 forth in the laws of the United States or regulations of  
16 the Board of Governors of the Federal Reserve System.

17 (26) Income Tax Return Preparer.

18 (A) The term "income tax return preparer" means any  
19 person who prepares for compensation, or who employs  
20 one or more persons to prepare for compensation, any  
21 return of tax imposed by this Act or any claim for  
22 refund of tax imposed by this Act. The preparation of a  
23 substantial portion of a return or claim for refund  
24 shall be treated as the preparation of that return or  
25 claim for refund.

26 (B) A person is not an income tax return preparer

1 if all he or she does is

2 (i) furnish typing, reproducing, or other  
3 mechanical assistance;

4 (ii) prepare returns or claims for refunds for  
5 the employer by whom he or she is regularly and  
6 continuously employed;

7 (iii) prepare as a fiduciary returns or claims  
8 for refunds for any person; or

9 (iv) prepare claims for refunds for a taxpayer  
10 in response to any notice of deficiency issued to  
11 that taxpayer or in response to any waiver of  
12 restriction after the commencement of an audit of  
13 that taxpayer or of another taxpayer if a  
14 determination in the audit of the other taxpayer  
15 directly or indirectly affects the tax liability  
16 of the taxpayer whose claims he or she is  
17 preparing.

18 (27) Unitary business group.

19 (A) The term "unitary business group" means a group  
20 of persons related through common ownership whose  
21 business activities are integrated with, dependent  
22 upon and contribute to each other. The group will not  
23 include those members whose business activity outside  
24 the United States is 80% or more of any such member's  
25 total business activity; for purposes of this  
26 paragraph and clause (a)(3)(B)(ii) of Section 304,

1 business activity within the United States shall be  
2 measured by means of the factors ordinarily applicable  
3 under subsections (a), (b), (c), (d), or (h) of Section  
4 304 except that, in the case of members ordinarily  
5 required to apportion business income by means of the 3  
6 factor formula of property, payroll and sales  
7 specified in subsection (a) of Section 304, including  
8 the formula as weighted in subsection (h) of Section  
9 304, such members shall not use the sales factor in the  
10 computation and the results of the property and payroll  
11 factor computations of subsection (a) of Section 304  
12 shall be divided by 2 (by one if either the property or  
13 payroll factor has a denominator of zero). The  
14 computation required by the preceding sentence shall,  
15 in each case, involve the division of the member's  
16 property, payroll, or revenue miles in the United  
17 States, insurance premiums on property or risk in the  
18 United States, or financial organization business  
19 income from sources within the United States, as the  
20 case may be, by the respective worldwide figures for  
21 such items. Common ownership in the case of  
22 corporations is the direct or indirect control or  
23 ownership of more than 50% of the outstanding voting  
24 stock of the persons carrying on unitary business  
25 activity. Unitary business activity can ordinarily be  
26 illustrated where the activities of the members are:

1 (1) in the same general line (such as manufacturing,  
2 wholesaling, retailing of tangible personal property,  
3 insurance, transportation or finance); or (2) are  
4 steps in a vertically structured enterprise or process  
5 (such as the steps involved in the production of  
6 natural resources, which might include exploration,  
7 mining, refining, and marketing); and, in either  
8 instance, the members are functionally integrated  
9 through the exercise of strong centralized management  
10 (where, for example, authority over such matters as  
11 purchasing, financing, tax compliance, product line,  
12 personnel, marketing and capital investment is not  
13 left to each member).

14 (B) In no event, for taxable years beginning prior  
15 to January 1, 2017, and excepting any unitary business  
16 group that apportions business income under Section  
17 304(b) of this Act and is subject to the insurance  
18 premium tax imposed under the Illinois Insurance Code,  
19 shall any unitary business group include members which  
20 are ordinarily required to apportion business income  
21 under different subsections of Section 304 except that  
22 for tax years ending on or after December 31, 1987 this  
23 prohibition shall not apply to a holding company that  
24 would otherwise be a member of a unitary business group  
25 with taxpayers that apportion business income under  
26 any of subsections (b), (c), (c-1), or (d) of Section

1           304. If a unitary business group would, but for the  
2 preceding sentence, include members that are  
3 ordinarily required to apportion business income under  
4 different subsections of Section 304, then for each  
5 subsection of Section 304 for which there are two or  
6 more members, there shall be a separate unitary  
7 business group composed of such members. For purposes  
8 of the preceding two sentences, a member is "ordinarily  
9 required to apportion business income" under a  
10 particular subsection of Section 304 if it would be  
11 required to use the apportionment method prescribed by  
12 such subsection except for the fact that it derives  
13 business income solely from Illinois. As used in this  
14 paragraph, the phrase "United States" means ~~only~~ the 50  
15 states and the District of Columbia and, ~~but~~ does not  
16 include any territory or possession of the United  
17 States, but, for taxable years ending on or after  
18 December 31, 2017, does include ~~or~~ any area over which  
19 the United States has asserted jurisdiction or claimed  
20 exclusive rights with respect to the exploration for or  
21 exploitation of natural resources.

22           (C) Holding companies.

23           (i) For purposes of this subparagraph, a  
24 "holding company" is a corporation (other than a  
25 corporation that is a financial organization under  
26 paragraph (8) of this subsection (a) of Section

1           1501 because it is a bank holding company under the  
2           provisions of the Bank Holding Company Act of 1956  
3           (12 U.S.C. 1841, et seq.) or because it is owned by  
4           a bank or a bank holding company) that owns a  
5           controlling interest in one or more other  
6           taxpayers ("controlled taxpayers"); that, during  
7           the period that includes the taxable year and the 2  
8           immediately preceding taxable years or, if the  
9           corporation was formed during the current or  
10          immediately preceding taxable year, the taxable  
11          years in which the corporation has been in  
12          existence, derived substantially all its gross  
13          income from dividends, interest, rents, royalties,  
14          fees or other charges received from controlled  
15          taxpayers for the provision of services, and gains  
16          on the sale or other disposition of interests in  
17          controlled taxpayers or in property leased or  
18          licensed to controlled taxpayers or used by the  
19          taxpayer in providing services to controlled  
20          taxpayers; and that incurs no substantial expenses  
21          other than expenses (including interest and other  
22          costs of borrowing) incurred in connection with  
23          the acquisition and holding of interests in  
24          controlled taxpayers and in the provision of  
25          services to controlled taxpayers or in the leasing  
26          or licensing of property to controlled taxpayers.



1           (ii) The income of a holding company which is a  
2 member of more than one unitary business group  
3 shall be included in each unitary business group of  
4 which it is a member on a pro rata basis, by  
5 including in each unitary business group that  
6 portion of the base income of the holding company  
7 that bears the same proportion to the total base  
8 income of the holding company as the gross receipts  
9 of the unitary business group bears to the combined  
10 gross receipts of all unitary business groups (in  
11 both cases without regard to the holding company)  
12 or on any other reasonable basis, consistently  
13 applied.

14           (iii) A holding company shall apportion its  
15 business income under the subsection of Section  
16 304 used by the other members of its unitary  
17 business group. The apportionment factors of a  
18 holding company which would be a member of more  
19 than one unitary business group shall be included  
20 with the apportionment factors of each unitary  
21 business group of which it is a member on a pro  
22 rata basis using the same method used in clause  
23 (ii).

24           (iv) The provisions of this subparagraph (C)  
25 are intended to clarify existing law.

26           (D) If including the base income and factors of a

1 holding company in more than one unitary business group  
2 under subparagraph (C) does not fairly reflect the  
3 degree of integration between the holding company and  
4 one or more of the unitary business groups, the  
5 dependence of the holding company and one or more of  
6 the unitary business groups upon each other, or the  
7 contributions between the holding company and one or  
8 more of the unitary business groups, the holding  
9 company may petition the Director, under the  
10 procedures provided under Section 304(f), for  
11 permission to include all base income and factors of  
12 the holding company only with members of a unitary  
13 business group apportioning their business income  
14 under one subsection of subsections (a), (b), (c), or  
15 (d) of Section 304. If the petition is granted, the  
16 holding company shall be included in a unitary business  
17 group only with persons apportioning their business  
18 income under the selected subsection of Section 304  
19 until the Director grants a petition of the holding  
20 company either to be included in more than one unitary  
21 business group under subparagraph (C) or to include its  
22 base income and factors only with members of a unitary  
23 business group apportioning their business income  
24 under a different subsection of Section 304.

25 (E) If the unitary business group members'  
26 accounting periods differ, the common parent's

1           accounting period or, if there is no common parent, the  
2           accounting period of the member that is expected to  
3           have, on a recurring basis, the greatest Illinois  
4           income tax liability must be used to determine whether  
5           to use the apportionment method provided in subsection  
6           (a) or subsection (h) of Section 304. The prohibition  
7           against membership in a unitary business group for  
8           taxpayers ordinarily required to apportion income  
9           under different subsections of Section 304 does not  
10          apply to taxpayers required to apportion income under  
11          subsection (a) and subsection (h) of Section 304. The  
12          provisions of this amendatory Act of 1998 apply to tax  
13          years ending on or after December 31, 1998.

14          (28) Subchapter S corporation. The term "Subchapter S  
15          corporation" means a corporation for which there is in  
16          effect an election under Section 1362 of the Internal  
17          Revenue Code, or for which there is a federal election to  
18          opt out of the provisions of the Subchapter S Revision Act  
19          of 1982 and have applied instead the prior federal  
20          Subchapter S rules as in effect on July 1, 1982.

21          (30) Foreign person. The term "foreign person" means  
22          any person who is a nonresident alien individual and any  
23          nonindividual entity, regardless of where created or  
24          organized, whose business activity outside the United  
25          States is 80% or more of the entity's total business  
26          activity.

1 (b) Other definitions.

2 (1) Words denoting number, gender, and so forth, when  
3 used in this Act, where not otherwise distinctly expressed  
4 or manifestly incompatible with the intent thereof:

5 (A) Words importing the singular include and apply  
6 to several persons, parties or things;

7 (B) Words importing the plural include the  
8 singular; and

9 (C) Words importing the masculine gender include  
10 the feminine as well.

11 (2) "Company" or "association" as including successors  
12 and assigns. The word "company" or "association", when used  
13 in reference to a corporation, shall be deemed to embrace  
14 the words "successors and assigns of such company or  
15 association", and in like manner as if these last-named  
16 words, or words of similar import, were expressed.

17 (3) Other terms. Any term used in any Section of this  
18 Act with respect to the application of, or in connection  
19 with, the provisions of any other Section of this Act shall  
20 have the same meaning as in such other Section.

21 (Source: P.A. 99-213, eff. 7-31-15.)

22 Section 30-15. The Film Production Services Tax Credit Act  
23 of 2008 is amended by changing Section 42 as follows:

1 (35 ILCS 16/42)

2 Sec. 42. Sunset of credits. The application of credits  
3 awarded pursuant to this Act shall be limited by a reasonable  
4 and appropriate sunset date. A taxpayer shall not be entitled  
5 to take a credit awarded pursuant to this Act for tax years  
6 beginning on or after January 1, 2027 ~~10 years after the~~  
7 ~~effective date of this amendatory Act of the 97th General~~  
8 ~~Assembly. After the initial 10 year sunset, the General~~  
9 ~~Assembly may extend the sunset date by 5 year intervals.~~

10 (Source: P.A. 97-2, eff. 5-6-11; 97-3, eff. 5-6-11.)

11 Section 30-20. The Use Tax Act is amended by changing  
12 Sections 2, 3, 3-5, 3-10, 3-10.5, 3-45, 3-50, 3-55, 3-65, 3-75,  
13 3a, 4, 5, 6, 7, 8, 9, 10, and 11 and by adding Section 2a-2 as  
14 follows:

15 (35 ILCS 105/2) (from Ch. 120, par. 439.2)

16 Sec. 2. Definitions.

17 "Use" means the exercise by any person of any right or  
18 power over tangible personal property incident to the ownership  
19 of that property or the exercise by any person of any right or  
20 power over, or the enjoyment of, a taxable service, except that  
21 it does not include the sale of such property or taxable  
22 service in any form as tangible personal property or a taxable  
23 service in the regular course of business to the extent that  
24 such property or taxable service is not first subjected to a

1 use for which it was purchased, and does not include the use of  
2 such property or taxable service by its owner for demonstration  
3 purposes: Provided that the property or service purchased is  
4 deemed to be purchased for the purpose of resale, despite first  
5 being used, to the extent to which it is resold as an  
6 ingredient of an intentionally produced product or by-product  
7 of manufacturing or is otherwise transferred to the purchaser  
8 of tangible personal property or taxable service. "Use" does  
9 not mean the demonstration use or interim use of tangible  
10 personal property or a taxable service by a retailer before he  
11 sells that tangible personal property or taxable service. For  
12 watercraft or aircraft, if the period of demonstration use or  
13 interim use by the retailer exceeds 18 months, the retailer  
14 shall pay on the retailers' original cost price the tax imposed  
15 by this Act, and no credit for that tax is permitted if the  
16 watercraft or aircraft is subsequently sold by the retailer.  
17 "Use" does not mean the physical incorporation of tangible  
18 personal property, to the extent not first subjected to a use  
19 for which it was purchased, as an ingredient or constituent,  
20 into other tangible personal property (a) which is sold in the  
21 regular course of business or (b) which the person  
22 incorporating such ingredient or constituent therein has  
23 undertaken at the time of such purchase to cause to be  
24 transported in interstate commerce to destinations outside the  
25 State of Illinois: Provided that the property purchased is  
26 deemed to be purchased for the purpose of resale, despite first

1 being used, to the extent to which it is resold as an  
2 ingredient of an intentionally produced product or by-product  
3 of manufacturing.

4 "Watercraft" means a Class 2, Class 3, or Class 4  
5 watercraft as defined in Section 3-2 of the Boat Registration  
6 and Safety Act, a personal watercraft, or any boat equipped  
7 with an inboard motor.

8 "Purchase at retail" means the acquisition of the ownership  
9 of or title to tangible personal property or the acquisition of  
10 a taxable service through a sale at retail.

11 "Purchaser" means anyone who, through a sale at retail,  
12 acquires a taxable service or the ownership of tangible  
13 personal property for a valuable consideration.

14 "Sale at retail" means any transfer of the ownership of or  
15 title to tangible personal property to a purchaser or the  
16 performance of a taxable service for a purchaser, for the  
17 purpose of use, and not for the purpose of resale in any form  
18 as tangible personal property or taxable service to the extent  
19 not first subjected to a use for which it was purchased, for a  
20 valuable consideration: Provided that the property purchased  
21 is deemed to be purchased for the purpose of resale, despite  
22 first being used, to the extent to which it is resold as an  
23 ingredient of an intentionally produced product or by-product  
24 of manufacturing. For this purpose, slag produced as an  
25 incident to manufacturing pig iron or steel and sold is  
26 considered to be an intentionally produced by-product of

1 manufacturing. "Sale at retail" includes any such transfer made  
2 for resale unless made in compliance with Section 2c of the  
3 Retailers' Occupation Tax Act, as incorporated by reference  
4 into Section 12 of this Act. Transactions whereby the  
5 possession of the property is transferred but the seller  
6 retains the title as security for payment of the selling price  
7 are sales.

8 "Sale at retail" shall also be construed to include any  
9 Illinois florist's sales transaction in which the purchase  
10 order is received in Illinois by a florist and the sale is for  
11 use or consumption, but the Illinois florist has a florist in  
12 another state deliver the property to the purchaser or the  
13 purchaser's donee in such other state.

14 Nonreusable tangible personal property that is used by  
15 persons engaged in the business of operating a restaurant,  
16 cafeteria, or drive-in is a sale for resale when it is  
17 transferred to customers in the ordinary course of business as  
18 part of the sale of food or beverages and is used to deliver,  
19 package, or consume food or beverages, regardless of where  
20 consumption of the food or beverages occurs. Examples of those  
21 items include, but are not limited to nonreusable, paper and  
22 plastic cups, plates, baskets, boxes, sleeves, buckets or other  
23 containers, utensils, straws, placemats, napkins, doggie bags,  
24 and wrapping or packaging materials that are transferred to  
25 customers as part of the sale of food or beverages in the  
26 ordinary course of business.



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

5           "Selling price" means the consideration for a sale valued  
6 in money whether received in money or otherwise, including  
7 cash, credits, property other than as hereinafter provided, and  
8 services, but not including the value of or credit given for  
9 traded-in tangible personal property where the item that is  
10 traded-in is of like kind and character as that which is being  
11 sold, and shall be determined without any deduction on account  
12 of the cost of the property sold, the cost of materials used,  
13 labor or service cost or any other expense whatsoever, but does  
14 not include interest or finance charges which appear as  
15 separate items on the bill of sale or sales contract nor  
16 charges that are added to prices by sellers on account of the  
17 seller's tax liability under the "Retailers' Occupation Tax  
18 Act", or on account of the seller's duty to collect, from the  
19 purchaser, the tax that is imposed by this Act, or, except as  
20 otherwise provided with respect to any cigarette tax imposed by  
21 a home rule unit, on account of the seller's tax liability  
22 under any local occupation tax administered by the Department,  
23 or, except as otherwise provided with respect to any cigarette  
24 tax imposed by a home rule unit on account of the seller's duty  
25 to collect, from the purchasers, the tax that is imposed under  
26 any local use tax administered by the Department. Effective

1 December 1, 1985, "selling price" shall include charges that  
2 are added to prices by sellers on account of the seller's tax  
3 liability under the Cigarette Tax Act, on account of the  
4 seller's duty to collect, from the purchaser, the tax imposed  
5 under the Cigarette Use Tax Act, and on account of the seller's  
6 duty to collect, from the purchaser, any cigarette tax imposed  
7 by a home rule unit.

8 Notwithstanding any law to the contrary, for any motor  
9 vehicle, as defined in Section 1-146 of the Vehicle Code, that  
10 is sold on or after January 1, 2015 for the purpose of leasing  
11 the vehicle for a defined period that is longer than one year  
12 and (1) is a motor vehicle of the second division that: (A) is  
13 a self-contained motor vehicle designed or permanently  
14 converted to provide living quarters for recreational,  
15 camping, or travel use, with direct walk through access to the  
16 living quarters from the driver's seat; (B) is of the van  
17 configuration designed for the transportation of not less than  
18 7 nor more than 16 passengers; or (C) has a gross vehicle  
19 weight rating of 8,000 pounds or less or (2) is a motor vehicle  
20 of the first division, "selling price" or "amount of sale"  
21 means the consideration received by the lessor pursuant to the  
22 lease contract, including amounts due at lease signing and all  
23 monthly or other regular payments charged over the term of the  
24 lease. Also included in the selling price is any amount  
25 received by the lessor from the lessee for the leased vehicle  
26 that is not calculated at the time the lease is executed,

1 including, but not limited to, excess mileage charges and  
2 charges for excess wear and tear. For sales that occur in  
3 Illinois, with respect to any amount received by the lessor  
4 from the lessee for the leased vehicle that is not calculated  
5 at the time the lease is executed, the lessor who purchased the  
6 motor vehicle does not incur the tax imposed by the Use Tax Act  
7 on those amounts, and the retailer who makes the retail sale of  
8 the motor vehicle to the lessor is not required to collect the  
9 tax imposed by this Act or to pay the tax imposed by the  
10 Retailers' Occupation Tax Act on those amounts. However, the  
11 lessor who purchased the motor vehicle assumes the liability  
12 for reporting and paying the tax on those amounts directly to  
13 the Department in the same form (Illinois Retailers' Occupation  
14 Tax, and local retailers' occupation taxes, if applicable) in  
15 which the retailer would have reported and paid such tax if the  
16 retailer had accounted for the tax to the Department. For  
17 amounts received by the lessor from the lessee that are not  
18 calculated at the time the lease is executed, the lessor must  
19 file the return and pay the tax to the Department by the due  
20 date otherwise required by this Act for returns other than  
21 transaction returns. If the retailer is entitled under this Act  
22 to a discount for collecting and remitting the tax imposed  
23 under this Act to the Department with respect to the sale of  
24 the motor vehicle to the lessor, then the right to the discount  
25 provided in this Act shall be transferred to the lessor with  
26 respect to the tax paid by the lessor for any amount received

1 by the lessor from the lessee for the leased vehicle that is  
2 not calculated at the time the lease is executed; provided that  
3 the discount is only allowed if the return is timely filed and  
4 for amounts timely paid. The "selling price" of a motor vehicle  
5 that is sold on or after January 1, 2015 for the purpose of  
6 leasing for a defined period of longer than one year shall not  
7 be reduced by the value of or credit given for traded-in  
8 tangible personal property owned by the lessor, nor shall it be  
9 reduced by the value of or credit given for traded-in tangible  
10 personal property owned by the lessee, regardless of whether  
11 the trade-in value thereof is assigned by the lessee to the  
12 lessor. In the case of a motor vehicle that is sold for the  
13 purpose of leasing for a defined period of longer than one  
14 year, the sale occurs at the time of the delivery of the  
15 vehicle, regardless of the due date of any lease payments. A  
16 lessor who incurs a Retailers' Occupation Tax liability on the  
17 sale of a motor vehicle coming off lease may not take a credit  
18 against that liability for the Use Tax the lessor paid upon the  
19 purchase of the motor vehicle (or for any tax the lessor paid  
20 with respect to any amount received by the lessor from the  
21 lessee for the leased vehicle that was not calculated at the  
22 time the lease was executed) if the selling price of the motor  
23 vehicle at the time of purchase was calculated using the  
24 definition of "selling price" as defined in this paragraph.  
25 Notwithstanding any other provision of this Act to the  
26 contrary, lessors shall file all returns and make all payments

1 required under this paragraph to the Department by electronic  
2 means in the manner and form as required by the Department.  
3 This paragraph does not apply to leases of motor vehicles for  
4 which, at the time the lease is entered into, the term of the  
5 lease is not a defined period, including leases with a defined  
6 initial period with the option to continue the lease on a  
7 month-to-month or other basis beyond the initial defined  
8 period.

9 The phrase "like kind and character" shall be liberally  
10 construed (including but not limited to any form of motor  
11 vehicle for any form of motor vehicle, or any kind of farm or  
12 agricultural implement for any other kind of farm or  
13 agricultural implement), while not including a kind of item  
14 which, if sold at retail by that retailer, would be exempt from  
15 retailers' occupation tax and use tax as an isolated or  
16 occasional sale.

17 "Department" means the Department of Revenue.

18 "Person" means any natural individual, firm, partnership,  
19 association, joint stock company, joint adventure, public or  
20 private corporation, limited liability company, or a receiver,  
21 executor, trustee, guardian or other representative appointed  
22 by order of any court.

23 "Retailer" means and includes every person engaged in the  
24 business of making sales at retail as defined in this Section.

25 A person who holds himself or herself out as being engaged  
26 (or who habitually engages) in selling tangible personal

1 property or taxable services at retail is a retailer hereunder  
2 with respect to such sales (and not primarily in a nontaxable  
3 service occupation) notwithstanding the fact that such person  
4 designs and produces such tangible personal property or taxable  
5 service on special order for the purchaser and in such a way as  
6 to render the property or service of value only to such  
7 purchaser, if such tangible personal property or taxable  
8 service so produced on special order serves substantially the  
9 same function as stock or standard items of tangible personal  
10 property or taxable service that are sold at retail.

11 A person whose activities are organized and conducted  
12 primarily as a not-for-profit service enterprise, and who  
13 engages in selling tangible personal property or taxable  
14 services at retail (whether to the public or merely to members  
15 and their guests) is a retailer with respect to such  
16 transactions, excepting only a person organized and operated  
17 exclusively for charitable, religious or educational purposes  
18 either (1), to the extent of sales by such person to its  
19 members, students, patients or inmates of tangible personal  
20 property to be used primarily for the purposes of such person,  
21 or (2), to the extent of sales by such person of tangible  
22 personal property or taxable services which are ~~is~~ not sold or  
23 offered for sale by persons organized for profit. The selling  
24 of school books and school supplies by schools at retail to  
25 students is not "primarily for the purposes of" the school  
26 which does such selling. This paragraph does not apply to nor

1 subject to taxation occasional dinners, social or similar  
2 activities of a person organized and operated exclusively for  
3 charitable, religious or educational purposes, whether or not  
4 such activities are open to the public.

5 A person who is the recipient of a grant or contract under  
6 Title VII of the Older Americans Act of 1965 (P.L. 92-258) and  
7 serves meals to participants in the federal Nutrition Program  
8 for the Elderly in return for contributions established in  
9 amount by the individual participant pursuant to a schedule of  
10 suggested fees as provided for in the federal Act is not a  
11 retailer under this Act with respect to such transactions.

12 Persons who engage in the business of transferring tangible  
13 personal property or taxable services upon the redemption of  
14 trading stamps are retailers hereunder when engaged in such  
15 business.

16 The isolated or occasional sale of tangible personal  
17 property or taxable services at retail by a person who does not  
18 hold himself out as being engaged (or who does not habitually  
19 engage) in selling such tangible personal property or taxable  
20 services at retail or a sale through a bulk vending machine  
21 does not make such person a retailer hereunder. However, any  
22 person who is engaged in a business which is not subject to the  
23 tax imposed by the "Retailers' Occupation Tax Act" because of  
24 involving the sale of or a contract to sell real estate or a  
25 construction contract to improve real estate, but who, in the  
26 course of conducting such business, transfers tangible

1 personal property to users or consumers in the finished form in  
2 which it was purchased, and which does not become real estate,  
3 under any provision of a construction contract or real estate  
4 sale or real estate sales agreement entered into with some  
5 other person arising out of or because of such nontaxable  
6 business, is a retailer to the extent of the value of the  
7 tangible personal property so transferred. If, in such  
8 transaction, a separate charge is made for the tangible  
9 personal property so transferred, the value of such property,  
10 for the purposes of this Act, is the amount so separately  
11 charged, but not less than the cost of such property to the  
12 transferor; if no separate charge is made, the value of such  
13 property, for the purposes of this Act, is the cost to the  
14 transferor of such tangible personal property.

15 "Retailer maintaining a place of business in this State",  
16 or any like term, means and includes any of the following  
17 retailers:

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



1 ownership of property that is located at the premises of a  
2 printer with which the retailer has contracted for printing  
3 and that consists of the final printed product, property  
4 that becomes a part of the final printed product, or copy  
5 from which the printed product is produced shall not result  
6 in the retailer being deemed to have or maintain an office,  
7 distribution house, sales house, warehouse, or other place  
8 of business within this State.

9 1.1. A retailer having a contract with a person located  
10 in this State under which the person, for a commission or  
11 other consideration based upon the sale of tangible  
12 personal property or taxable services by the retailer,  
13 directly or indirectly refers potential customers to the  
14 retailer by providing to the potential customers a  
15 promotional code or other mechanism that allows the  
16 retailer to track purchases referred by such persons.  
17 Examples of mechanisms that allow the retailer to track  
18 purchases referred by such persons include but are not  
19 limited to the use of a link on the person's Internet  
20 website, promotional codes distributed through the  
21 person's hand-delivered or mailed material, and  
22 promotional codes distributed by the person through radio  
23 or other broadcast media. The provisions of this paragraph  
24 1.1 shall apply only if the cumulative gross receipts from  
25 sales of tangible personal property or taxable service by  
26 the retailer to customers who are referred to the retailer

1 by all persons in this State under such contracts exceed  
2 \$10,000 during the preceding 4 quarterly periods ending on  
3 the last day of March, June, September, and December. A  
4 retailer meeting the requirements of this paragraph 1.1  
5 shall be presumed to be maintaining a place of business in  
6 this State but may rebut this presumption by submitting  
7 proof that the referrals or other activities pursued within  
8 this State by such persons were not sufficient to meet the  
9 nexus standards of the United States Constitution during  
10 the preceding 4 quarterly periods.

11 1.2. Beginning July 1, 2011, a retailer having a  
12 contract with a person located in this State under which:

13 A. the retailer sells the same or substantially  
14 similar line of products or taxable services as the  
15 person located in this State and does so using an  
16 identical or substantially similar name, trade name,  
17 or trademark as the person located in this State; and

18 B. the retailer provides a commission or other  
19 consideration to the person located in this State based  
20 upon the sale of tangible personal property or taxable  
21 service by the retailer.

22 The provisions of this paragraph 1.2 shall apply only if  
23 the cumulative gross receipts from sales of tangible  
24 personal property or taxable service by the retailer to  
25 customers in this State under all such contracts exceed  
26 \$10,000 during the preceding 4 quarterly periods ending on

1 the last day of March, June, September, and December.

2 2. A retailer soliciting orders for tangible personal  
3 property or taxable service by means of a telecommunication  
4 or television shopping system (which utilizes toll free  
5 numbers) which is intended by the retailer to be broadcast  
6 by cable television or other means of broadcasting, to  
7 consumers located in this State.

8 3. A retailer, pursuant to a contract with a  
9 broadcaster or publisher located in this State, soliciting  
10 orders for tangible personal property or taxable service by  
11 means of advertising which is disseminated primarily to  
12 consumers located in this State and only secondarily to  
13 bordering jurisdictions.

14 4. A retailer soliciting orders for tangible personal  
15 property or taxable service by mail if the solicitations  
16 are substantial and recurring and if the retailer benefits  
17 from any banking, financing, debt collection,  
18 telecommunication, or marketing activities occurring in  
19 this State or benefits from the location in this State of  
20 authorized installation, servicing, or repair facilities.

21 5. A retailer that is owned or controlled by the same  
22 interests that own or control any retailer engaging in  
23 business in the same or similar line of business in this  
24 State.

25 6. A retailer having a franchisee or licensee operating  
26 under its trade name if the franchisee or licensee is

1 required to collect the tax under this Section.

2 7. A retailer, pursuant to a contract with a cable  
3 television operator located in this State, soliciting  
4 orders for tangible personal property or taxable service by  
5 means of advertising which is transmitted or distributed  
6 over a cable television system in this State.

7 8. A retailer engaging in activities in Illinois, which  
8 activities in the state in which the retail business  
9 engaging in such activities is located would constitute  
10 maintaining a place of business in that state.

11 "Bulk vending machine" means a vending machine, containing  
12 unsorted confections, nuts, toys, or other items designed  
13 primarily to be used or played with by children which, when a  
14 coin or coins of a denomination not larger than \$0.50 are  
15 inserted, are dispensed in equal portions, at random and  
16 without selection by the customer.

17 (Source: P.A. 98-628, eff. 1-1-15; 98-1080, eff. 8-26-14;  
18 98-1089, eff. 1-1-15; 99-78, eff. 7-20-15.)

19 (35 ILCS 105/2a-2 new)

20 Sec. 2a-2. Taxable services. Beginning January 1, 2018,  
21 "taxable service" means any of the following services:

22 (1) Providing space for storage.

23 (A) "Storage" means the retaining or keeping of  
24 tangible personal property in this State for any  
25 purpose. For purposes of this Section, tangible

1           personal property, does not include "grain" as defined  
2           in the Public Grain Warehouse and Warehouse Receipts  
3           Act.

4           (B) "Space for storage" means (i) secure areas,  
5           such as rooms, units, compartments or containers,  
6           whether accessible from outside or from within a  
7           building, that are designated for the use of a  
8           purchaser, where the purchaser can store and retrieve  
9           property, including self-storage units, mini-storage  
10           units, and areas by any other name; (ii) any parking  
11           lot, ramp, or parking garage for a vehicle, whether the  
12           vehicle is parked by the operator of the vehicle or by  
13           an attendant; (iii) any aircraft parking area, ramp, or  
14           hanger; (iv) any boat slip, dock, or dry dock; (v) any  
15           recreational vehicle parking area or garage; and (vi)  
16           any other areas for storage or parking of tangible  
17           personal property.

18           (C) "Self-storage or mini-storage" includes  
19           storage lockers or storage units in apartment  
20           complexes (if the locker or unit is utilized at the  
21           tenant's option and includes payment of a fee in  
22           addition to apartment rental), and in amusement parks,  
23           water parks, recreational facilities, and other  
24           locations where lockers are rented for self-storage.

25           (2) Repair, servicing, alteration, fitting, cleaning,  
26           painting, coating, towing, inspection, or maintenance of

1 tangible personal property or tangible personal property  
2 that has been affixed to real estate; this paragraph (2)  
3 does not apply to new construction, reconstruction, or  
4 expansion of a building or structure.

5 (3) Landscaping services. "Landscaping services" means  
6 services performed by a person who arranges and modifies  
7 the natural condition of a given parcel or tract of land so  
8 as to render the land suitable for public or private use or  
9 enjoyment. Landscaping services include, but are not  
10 limited to, mowing, watering, and aerating lawns; weeding;  
11 mulching; raking leaves; tree and shrub trimming and  
12 removal; planting of trees, shrubs, flowering and  
13 non-flowering plants, and sod; spraying; fertilizing;  
14 applying chemicals; lawn and garden installation;  
15 constructing, remodeling, or repairing irrigation or lawn  
16 sprinkler systems, patios (other than asphalt, tar,  
17 macadam, or poured concrete), walkways (other than  
18 asphalt, tar, macadam, or poured concrete), fences,  
19 trellises, and retaining walls; grading (such as the  
20 filling or leveling of topsoil for lawns and gardens), and  
21 snow plowing and removal.

22 (4) Laundry, drycleaning, cloth pressing, dyeing, or  
23 linen service, except when the service is performed by the  
24 purchaser through the use of coin-operated, self-service  
25 machines.

26 (5) Cable television service as defined in 47 U.S.C.

1       522(6), video and audio streaming services, and direct  
2       broadcast satellite service. "Direct broadcast satellite  
3       service" includes the distribution or broadcasting of  
4       programming or services by satellite, including audio or  
5       video programming, to receiving equipment located at a  
6       purchaser's premises. "Video and audio streaming service"  
7       means the method used to deliver multimedia elements  
8       including but not limited to video and audio from a data  
9       streaming service provider to an end user.

10       (6) Private detective, private alarm, and private  
11       security service for which the provider of the service is  
12       required to be licensed pursuant to the Private Detective,  
13       Private Alarm, Private Security, Fingerprint Vendor, and  
14       Locksmith Act of 2004, or would be required to be so  
15       licensed in performing those services in this State.

16       (7) Structural pest control services. "Structural pest  
17       control services" means use of any device or the  
18       application of any substance to prevent, repel, mitigate,  
19       curb, control, or eradicate any structural pest in, on,  
20       under, or around a structure, or within a part of, or  
21       materials used in building, a structure; the use of any  
22       pesticide, including insecticides, fungicides and other  
23       wood treatment products, attractants, repellents,  
24       rodenticides, fumigants, or mechanical devices for  
25       preventing, controlling, eradicating, identifying,  
26       mitigating, diminishing, or curbing insects, vermin, rats,

1 mice, or other pests in, on, under, or around a structure,  
2 or within a part of, or materials used in building, a  
3 structure; vault fumigation and fumigation of box cars,  
4 trucks, ships, airplanes, docks, warehouses, and common  
5 carriers or soliciting to perform any of the foregoing  
6 functions.

7 (8) Personal care services, including skin care, the  
8 application of cosmetics, manicuring, pedicuring, hair  
9 removal, tattooing, body piercing, tanning, massage, and  
10 other similar services. "Personal care services" does not  
11 include personal care services provided by or on the order  
12 of a licensed physician, licensed chiropractor, physician  
13 assistant, advanced practice nurse, registered nurse, or  
14 licensed practical nurse, or the cutting, coloring, or  
15 styling of an individual's hair.

16 (35 ILCS 105/3) (from Ch. 120, par. 439.3)

17 Sec. 3. Tax imposed. A tax is imposed upon the privilege of  
18 using in this State a taxable service or tangible personal  
19 property purchased at retail from a retailer, including  
20 computer software, and including photographs, negatives, and  
21 positives that are the product of photoprocessing, but not  
22 including products of photoprocessing produced for use in  
23 motion pictures for commercial exhibition. Beginning January  
24 1, 2001, prepaid telephone calling arrangements shall be  
25 considered tangible personal property subject to the tax



1 imposed under this Act regardless of the form in which those  
2 arrangements may be embodied, transmitted, or fixed by any  
3 method now known or hereafter developed. Purchases of (1)  
4 electricity delivered to customers by wire; (2) natural or  
5 artificial gas that is delivered to customers through pipes,  
6 pipelines, or mains; and (3) water that is delivered to  
7 customers through pipes, pipelines, or mains are not subject to  
8 tax under this Act. The provisions of this amendatory Act of  
9 the 98th General Assembly are declaratory of existing law as to  
10 the meaning and scope of this Act.

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

12 (35 ILCS 105/3-5)

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

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

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

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

16           (4) Personal property or taxable services purchased by a  
17 governmental body, by a corporation, society, association,  
18 foundation, or institution organized and operated exclusively  
19 for charitable, religious, or educational purposes, or by a  
20 not-for-profit corporation, society, association, foundation,  
21 institution, or organization that has no compensated officers  
22 or employees and that is organized and operated primarily for  
23 the recreation of persons 55 years of age or older. A limited  
24 liability company may qualify for the exemption under this  
25 paragraph only if the limited liability company is organized  
26 and operated exclusively for educational purposes. On and after

1 July 1, 1987, however, no entity otherwise eligible for this  
2 exemption shall make tax-free purchases unless it has an active  
3 exemption identification number issued by the Department.

4 (5) Until July 1, 2003, a passenger car that is a  
5 replacement vehicle to the extent that the purchase price of  
6 the car is subject to the Replacement Vehicle Tax.

7 (6) Until July 1, 2003 and beginning again on September 1,  
8 2004 through August 30, 2014, graphic arts machinery and  
9 equipment, including repair and replacement parts, both new and  
10 used, and including that manufactured on special order,  
11 certified by the purchaser to be used primarily for graphic  
12 arts production, and including machinery and equipment  
13 purchased for lease. Equipment includes chemicals or chemicals  
14 acting as catalysts but only if the chemicals or chemicals  
15 acting as catalysts effect a direct and immediate change upon a  
16 graphic arts product. Beginning on July 1, 2017, graphic arts  
17 machinery and equipment is included in the manufacturing and  
18 assembling machinery and equipment exemption under paragraph  
19 (18).

20 (7) Farm chemicals.

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

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

1 secondary school located in Illinois.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 other similar items of no commercial value on special order for  
2 a particular purchaser. The exemption provided by this  
3 paragraph (18) does not include machinery and equipment used in  
4 (i) the generation of electricity for wholesale or retail sale;  
5 (ii) the generation or treatment of natural or artificial gas  
6 for wholesale or retail sale that is delivered to customers  
7 through pipes, pipelines, or mains; or (iii) the treatment of  
8 water for wholesale or retail sale that is delivered to  
9 customers through pipes, pipelines, or mains. The provisions of  
10 Public Act 98-583 are declaratory of existing law as to the  
11 meaning and scope of this exemption. Beginning on July 1, 2017,  
12 the exemption provided by this paragraph (18) includes, but is  
13 not limited to, graphic arts machinery and equipment, as  
14 defined in paragraph (6) of this Section. Beginning on July 1,  
15 2017, the exemption provided by this paragraph (18) includes,  
16 but is not limited to, production related tangible personal  
17 property, as defined in Section 3-50 of this Act. The exemption  
18 provided by this paragraph (18) is exempt from the provisions  
19 of Section 3-90.

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

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



1           (21) Horses, or interests in horses, registered with and  
2 meeting the requirements of any of the Arabian Horse Club  
3 Registry of America, Appaloosa Horse Club, American Quarter  
4 Horse Association, United States Trotting Association, or  
5 Jockey Club, as appropriate, used for purposes of breeding or  
6 racing for prizes. This item (21) is exempt from the provisions  
7 of Section 3-90, and the exemption provided for under this item  
8 (21) applies for all periods beginning May 30, 1995, but no  
9 claim for credit or refund is allowed on or after January 1,  
10 2008 for such taxes paid during the period beginning May 30,  
11 2000 and ending on January 1, 2008.

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

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

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

1 that amount is not refunded to the lessee for any reason, the  
2 lessor is liable to pay that amount to the Department.

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

13 (25) 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 used in the  
16 performance of infrastructure repairs in this State, including  
17 but not limited to municipal roads and streets, access roads,  
18 bridges, sidewalks, waste disposal systems, water and sewer  
19 line extensions, water distribution and purification  
20 facilities, storm water drainage and retention facilities, and  
21 sewage treatment facilities, resulting from a State or  
22 federally declared disaster in Illinois or bordering Illinois  
23 when such repairs are initiated on facilities located in the  
24 declared disaster area within 6 months after the disaster.

25 (26) Beginning July 1, 1999, game or game birds purchased  
26 at a "game breeding and hunting preserve area" as that term is

1 used in the Wildlife Code. This paragraph is exempt from the  
2 provisions of Section 3-90.

3 (27) A motor vehicle, as that term is defined in Section  
4 1-146 of the Illinois Vehicle Code, that is donated to a  
5 corporation, limited liability company, society, association,  
6 foundation, or institution that is determined by the Department  
7 to be organized and operated exclusively for educational  
8 purposes. For purposes of this exemption, "a corporation,  
9 limited liability company, society, association, foundation,  
10 or institution organized and operated exclusively for  
11 educational purposes" means all tax-supported public schools,  
12 private schools that offer systematic instruction in useful  
13 branches of learning by methods common to public schools and  
14 that compare favorably in their scope and intensity with the  
15 course of study presented in tax-supported schools, and  
16 vocational or technical schools or institutes organized and  
17 operated exclusively to provide a course of study of not less  
18 than 6 weeks duration and designed to prepare individuals to  
19 follow a trade or to pursue a manual, technical, mechanical,  
20 industrial, business, or commercial occupation.

21 (28) Beginning January 1, 2000, personal property,  
22 including food, purchased through fundraising events for the  
23 benefit of a public or private elementary or secondary school,  
24 a group of those schools, or one or more school districts if  
25 the events are sponsored by an entity recognized by the school  
26 district that consists primarily of volunteers and includes

1 parents and teachers of the school children. This paragraph  
2 does not apply to fundraising events (i) for the benefit of  
3 private home instruction or (ii) for which the fundraising  
4 entity purchases the personal property sold at the events from  
5 another individual or entity that sold the property for the  
6 purpose of resale by the fundraising entity and that profits  
7 from the sale to the fundraising entity. This paragraph is  
8 exempt from the provisions of Section 3-90.

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

19 (30) Beginning January 1, 2001 and through June 30, 2016,  
20 food for human consumption that is to be consumed off the  
21 premises where it is sold (other than alcoholic beverages, soft  
22 drinks, and food that has been prepared for immediate  
23 consumption) and prescription and nonprescription medicines,  
24 drugs, medical appliances, and insulin, urine testing  
25 materials, syringes, and needles used by diabetics, for human  
26 use, when purchased for use by a person receiving medical

1 assistance under Article V of the Illinois Public Aid Code who  
2 resides in a licensed long-term care facility, as defined in  
3 the Nursing Home Care Act, or in a licensed facility as defined  
4 in the ID/DD Community Care Act, the MC/DD Act, or the  
5 Specialized Mental Health Rehabilitation Act of 2013.

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

1 If, 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 3-90.

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

1 from the provisions of Section 3-90.

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

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



1 exempt from the provisions of Section 3-90.

2 (35) Beginning January 1, 2010, materials, parts,  
3 equipment, components, and furnishings incorporated into or  
4 upon an aircraft as part of the modification, refurbishment,  
5 completion, replacement, repair, or maintenance of the  
6 aircraft. This exemption includes consumable supplies used in  
7 the modification, refurbishment, completion, replacement,  
8 repair, and maintenance of aircraft, but excludes any  
9 materials, parts, equipment, components, and consumable  
10 supplies used in the modification, replacement, repair, and  
11 maintenance of aircraft engines or power plants, whether such  
12 engines or power plants are installed or uninstalled upon any  
13 such aircraft. "Consumable supplies" include, but are not  
14 limited to, adhesive, tape, sandpaper, general purpose  
15 lubricants, cleaning solution, latex gloves, and protective  
16 films. This exemption applies only to the use of qualifying  
17 tangible personal property by persons who modify, refurbish,  
18 complete, repair, replace, or maintain aircraft and who (i)  
19 hold an Air Agency Certificate and are empowered to operate an  
20 approved repair station by the Federal Aviation  
21 Administration, (ii) have a Class IV Rating, and (iii) conduct  
22 operations in accordance with Part 145 of the Federal Aviation  
23 Regulations. The exemption does not include aircraft operated  
24 by a commercial air carrier providing scheduled passenger air  
25 service pursuant to authority issued under Part 121 or Part 129  
26 of the Federal Aviation Regulations. The changes made to this

1 paragraph (35) by Public Act 98-534 are declarative of existing  
2 law.

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

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

19 (38) Beginning January 1, 2018, taxable services performed  
20 on or to tangible personal property the sale of which is exempt  
21 from taxation under this Act. This paragraph is exempt from the  
22 provisions of Section 2-70.

23 (39) Beginning January 1, 2018, taxable services performed  
24 in a transaction that would be exempt from taxation under this  
25 Act if it involved solely the sale of tangible personal  
26 property. Such exemption could be due to the nature of the

1 seller or of the service provider, the purchaser or service  
2 recipient, or other features of the transaction, including but  
3 not limited to the location or sale-for-resale nature of the  
4 transaction. Any such exemption applies to transactions  
5 involving solely the sale of tangible personal property, solely  
6 the performance of taxable service, or some combination  
7 thereof. This paragraph is exempt from the provisions of  
8 Section 2-70.

9 (40) Beginning January 1, 2018, taxable services performed  
10 for or provided to businesses making purchases of service for  
11 the benefit of or in furtherance of the business. This  
12 paragraph is exempt from the provisions of Section 2-70.

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

17 (35 ILCS 105/3-10)

18 Sec. 3-10. Rate of tax. Unless otherwise provided in this  
19 Section, the tax imposed by this Act is at the rate of 6.25% of  
20 either the selling price or the fair market value, if any, of  
21 the tangible personal property. Beginning on July 1, 2017, the  
22 tax is also imposed at the rate of 6.25% of either the selling  
23 price or the fair market value, if any, of taxable services. In  
24 all cases where property or service functionally used or  
25 consumed is the same as the property or service that was

1 purchased at retail, then the tax is imposed on the selling  
2 price of the property or taxable service. In all cases where  
3 property functionally used or consumed is a by-product or waste  
4 product that has been refined, manufactured, or produced from  
5 property purchased at retail, then the tax is imposed on the  
6 lower of the fair market value, if any, of the specific  
7 property so used in this State or on the selling price of the  
8 property purchased at retail. For purposes of this Section  
9 "fair market value" means the price at which property or  
10 service would change hands between a willing buyer and a  
11 willing seller, neither being under any compulsion to buy or  
12 sell and both having reasonable knowledge of the relevant  
13 facts. The fair market value shall be established by Illinois  
14 sales by the taxpayer of the same property or service as that  
15 functionally used or consumed, or if there are no such sales by  
16 the taxpayer, then comparable sales or purchases of property or  
17 service of like kind and character in Illinois.

18 Beginning on July 1, 2000 and through December 31, 2000,  
19 with respect to motor fuel, as defined in Section 1.1 of the  
20 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of  
21 the Use Tax Act, the tax is imposed at the rate of 1.25%.

22 Beginning on August 6, 2010 through August 15, 2010, with  
23 respect to sales tax holiday items as defined in Section 3-6 of  
24 this Act, the tax is imposed at the rate of 1.25%.

25 With respect to gasohol, the tax imposed by this Act  
26 applies to (i) 70% of the proceeds of sales made on or after

1 January 1, 1990, and before July 1, 2003, (ii) 80% of the  
2 proceeds of sales made on or after July 1, 2003 and on or  
3 before December 31, 2018, and (iii) 100% of the proceeds of  
4 sales made thereafter. If, at any time, however, the tax under  
5 this Act on sales of gasohol is imposed at the rate of 1.25%,  
6 then the tax imposed by this Act applies to 100% of the  
7 proceeds of sales of gasohol made during that time.

8 With respect to majority blended ethanol fuel, the tax  
9 imposed by this Act does not apply to the proceeds of sales  
10 made on or after July 1, 2003 and on or before December 31,  
11 2018 but applies to 100% of the proceeds of sales made  
12 thereafter.

13 With respect to biodiesel blends with no less than 1% and  
14 no more than 10% biodiesel, the tax imposed by this Act applies  
15 to (i) 80% of the proceeds of sales made on or after July 1,  
16 2003 and on or before December 31, 2018 and (ii) 100% of the  
17 proceeds of sales made thereafter. If, at any time, however,  
18 the tax under this Act on sales of biodiesel blends with no  
19 less than 1% and no more than 10% biodiesel is imposed at the  
20 rate of 1.25%, then the tax imposed by this Act applies to 100%  
21 of the proceeds of sales of biodiesel blends with no less than  
22 1% and no more than 10% biodiesel made during that time.

23 With respect to 100% biodiesel and biodiesel blends with  
24 more than 10% but no more than 99% biodiesel, the tax imposed  
25 by this Act does not apply to the proceeds of sales made on or  
26 after July 1, 2003 and on or before December 31, 2018 but

1 applies to 100% of the proceeds of sales made thereafter.

2 With respect to food for human consumption that is to be  
3 consumed off the premises where it is sold (other than  
4 alcoholic beverages, soft drinks, and food that has been  
5 prepared for immediate consumption) and prescription and  
6 nonprescription medicines, drugs, medical appliances, products  
7 classified as Class III medical devices by the United States  
8 Food and Drug Administration that are used for cancer treatment  
9 pursuant to a prescription, as well as any accessories and  
10 components related to those devices, modifications to a motor  
11 vehicle for the purpose of rendering it usable by a person with  
12 a disability, and insulin, urine testing materials, syringes,  
13 and needles used by diabetics, for human use, the tax is  
14 imposed at the rate of 1%. For the purposes of this Section,  
15 until September 1, 2009: the term "soft drinks" means any  
16 complete, finished, ready-to-use, non-alcoholic drink, whether  
17 carbonated or not, including but not limited to soda water,  
18 cola, fruit juice, vegetable juice, carbonated water, and all  
19 other preparations commonly known as soft drinks of whatever  
20 kind or description that are contained in any closed or sealed  
21 bottle, can, carton, or container, regardless of size; but  
22 "soft drinks" does not include coffee, tea, non-carbonated  
23 water, infant formula, milk or milk products as defined in the  
24 Grade A Pasteurized Milk and Milk Products Act, or drinks  
25 containing 50% or more natural fruit or vegetable juice.

26 Notwithstanding any other provisions of this Act,

1 beginning September 1, 2009, "soft drinks" means non-alcoholic  
2 beverages that contain natural or artificial sweeteners. "Soft  
3 drinks" do not include beverages that contain milk or milk  
4 products, soy, rice or similar milk substitutes, or greater  
5 than 50% of vegetable or fruit juice by volume.

6       Until August 1, 2009, and notwithstanding any other  
7 provisions of this Act, "food for human consumption that is to  
8 be consumed off the premises where it is sold" includes all  
9 food sold through a vending machine, except soft drinks and  
10 food products that are dispensed hot from a vending machine,  
11 regardless of the location of the vending machine. Beginning  
12 August 1, 2009, and notwithstanding any other provisions of  
13 this Act, "food for human consumption that is to be consumed  
14 off the premises where it is sold" includes all food sold  
15 through a vending machine, except soft drinks, candy, and food  
16 products that are dispensed hot from a vending machine,  
17 regardless of the location of the vending machine.

18       Notwithstanding any other provisions of this Act,  
19 beginning September 1, 2009, "food for human consumption that  
20 is to be consumed off the premises where it is sold" does not  
21 include candy. For purposes of this Section, "candy" means a  
22 preparation of sugar, honey, or other natural or artificial  
23 sweeteners in combination with chocolate, fruits, nuts or other  
24 ingredients or flavorings in the form of bars, drops, or  
25 pieces. "Candy" does not include any preparation that contains  
26 flour or requires refrigeration.

1           Notwithstanding any other provisions of this Act,  
2 beginning September 1, 2009, "nonprescription medicines and  
3 drugs" does not include grooming and hygiene products. For  
4 purposes of this Section, "grooming and hygiene products"  
5 includes, but is not limited to, soaps and cleaning solutions,  
6 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan  
7 lotions and screens, unless those products are available by  
8 prescription only, regardless of whether the products meet the  
9 definition of "over-the-counter-drugs". For the purposes of  
10 this paragraph, "over-the-counter-drug" means a drug for human  
11 use that contains a label that identifies the product as a drug  
12 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"  
13 label includes:

14           (A) A "Drug Facts" panel; or

15           (B) A statement of the "active ingredient(s)" with a  
16 list of those ingredients contained in the compound,  
17 substance or preparation.

18           Beginning on the effective date of this amendatory Act of  
19 the 98th General Assembly, "prescription and nonprescription  
20 medicines and drugs" includes medical cannabis purchased from a  
21 registered dispensing organization under the Compassionate Use  
22 of Medical Cannabis Pilot Program Act.

23           If the property that is purchased at retail from a retailer  
24 is acquired outside Illinois and used outside Illinois before  
25 being brought to Illinois for use here and is taxable under  
26 this Act, the "selling price" on which the tax is computed



1 shall be reduced by an amount that represents a reasonable  
2 allowance for depreciation for the period of prior out-of-state  
3 use.

4 (Source: P.A. 98-122, eff. 1-1-14; 99-143, eff. 7-27-15;  
5 99-858, eff. 8-19-16.)

6 (35 ILCS 105/3-10.5)

7 Sec. 3-10.5. Direct payment of retailers' occupation tax  
8 and applicable local retailers' occupation tax by purchaser;  
9 purchaser relieved of paying use tax and local retailers'  
10 occupation tax reimbursement liabilities to retailer.

11 (a) A retailer who makes a retail sale of tangible personal  
12 property or taxable service to a purchaser who provides the  
13 retailer with a copy of the purchaser's valid Direct Pay Permit  
14 issued under Section 2-10.5 of the Retailers' Occupation Tax  
15 Act is not required under Section 3-45 of this Act to collect  
16 the tax imposed by this Act on that sale.

17 (b) A purchaser who makes a purchase from a retailer who  
18 would otherwise incur retailers' occupation tax liability on  
19 the transaction and who provides the retailer with a copy of a  
20 valid Direct Pay Permit issued under Section 2-10.5 of the  
21 Retailers' Occupation Tax Act does not incur the tax imposed by  
22 this Act on the purchase. The purchaser assumes the retailer's  
23 obligation to pay the retailers' occupation tax directly to the  
24 Department, including all local retailers' occupation tax  
25 liabilities applicable to that retail sale.

1 (c) A purchaser who makes a purchase from a retailer who  
2 would not incur retailers' occupation tax liability on the  
3 transaction and who provides the retailer with a copy of a  
4 valid Direct Pay Permit issued under Section 2-10.5 of the  
5 Retailers' Occupation Tax Act incurs the tax imposed by this  
6 Act on the purchase. If, on any transaction, the retailer is  
7 entitled under this Act to a discount for collecting and  
8 remitting the tax imposed under this Act to the Department, the  
9 right to the discount provided in Section 9 of this Act shall  
10 be transferred to the Permit holder. If the retailer would not  
11 be entitled to a discount as provided in Section 9 of this Act,  
12 then the Permit holder is not entitled to a discount.

13 (Source: P.A. 92-484, eff. 8-23-01.)

14 (35 ILCS 105/3-45) (from Ch. 120, par. 439.3-45)

15 Sec. 3-45. Collection. The tax imposed by this Act shall be  
16 collected from the purchaser by a retailer maintaining a place  
17 of business in this State or a retailer authorized by the  
18 Department under Section 6 of this Act, and shall be remitted  
19 to the Department as provided in Section 9 of this Act, except  
20 as provided in Section 3-10.5 of this Act.

21 The tax imposed by this Act that is not paid to a retailer  
22 under this Section shall be paid to the Department directly by  
23 any person using the property within this State as provided in  
24 Section 10 of this Act.

25 Retailers shall collect the tax from users by adding the

1 tax to the selling price of tangible personal property or  
2 taxable service, when sold for use, in the manner prescribed by  
3 the Department. The Department may adopt and promulgate  
4 reasonable rules and regulations for the adding of the tax by  
5 retailers to selling prices by prescribing bracket systems for  
6 the purpose of enabling the retailers to add and collect, as  
7 far as practicable, the amount of the tax.

8 If a seller collects use tax measured by receipts that are  
9 not subject to use tax, or if a seller, in collecting use tax  
10 measured by receipts that are subject to tax under this Act,  
11 collects more from the purchaser than the required amount of  
12 the use tax on the transaction, the purchaser shall have a  
13 legal right to claim a refund of that amount from the seller.  
14 If, however, that amount is not refunded to the purchaser for  
15 any reason, the seller is liable to pay that amount to the  
16 Department. This paragraph does not apply to an amount  
17 collected by the seller as use tax on receipts that are subject  
18 to tax under this Act as long as the collection is made in  
19 compliance with the tax collection brackets prescribed by the  
20 Department in its rules and regulations.

21 (Source: P.A. 91-51, eff. 6-30-99; 92-484, eff. 8-23-01.)

22 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

23 Sec. 3-50. Manufacturing and assembly exemption. The  
24 manufacturing and assembling machinery and equipment exemption  
25 includes machinery and equipment that replaces machinery and

1 equipment in an existing manufacturing facility as well as  
2 machinery and equipment that are for use in an expanded or new  
3 manufacturing facility. The machinery and equipment exemption  
4 also includes machinery and equipment used in the general  
5 maintenance or repair of exempt machinery and equipment or for  
6 in-house manufacture of exempt machinery and equipment.  
7 Beginning on July 1, 2017, the manufacturing and assembling  
8 machinery and equipment exemption also includes graphic arts  
9 machinery and equipment, as defined in paragraph (6) of Section  
10 3-5. Beginning on July 1, 2017, the manufacturing and  
11 assembling machinery and equipment exemption also includes  
12 production related tangible personal property, as defined in  
13 this Section. The machinery and equipment exemption does not  
14 include machinery and equipment used in (i) the generation of  
15 electricity for wholesale or retail sale; (ii) the generation  
16 or treatment of natural or artificial gas for wholesale or  
17 retail sale that is delivered to customers through pipes,  
18 pipelines, or mains; or (iii) the treatment of water for  
19 wholesale or retail sale that is delivered to customers through  
20 pipes, pipelines, or mains. The provisions of this amendatory  
21 Act of the 98th General Assembly are declaratory of existing  
22 law as to the meaning and scope of this exemption. For the  
23 purposes of this exemption, terms have the following meanings:

24 (1) "Manufacturing process" means the production of an  
25 article of tangible personal property, whether the article  
26 is a finished product or an article for use in the process

1 of manufacturing or assembling a different article of  
2 tangible personal property, by a procedure commonly  
3 regarded as manufacturing, processing, fabricating, or  
4 refining that changes some existing material into a  
5 material with a different form, use, or name. In relation  
6 to a recognized integrated business composed of a series of  
7 operations that collectively constitute manufacturing, or  
8 individually constitute manufacturing operations, the  
9 manufacturing process commences with the first operation  
10 or stage of production in the series and does not end until  
11 the completion of the final product in the last operation  
12 or stage of production in the series. For purposes of this  
13 exemption, photoprocessing is a manufacturing process of  
14 tangible personal property for wholesale or retail sale.

15 (2) "Assembling process" means the production of an  
16 article of tangible personal property, whether the article  
17 is a finished product or an article for use in the process  
18 of manufacturing or assembling a different article of  
19 tangible personal property, by the combination of existing  
20 materials in a manner commonly regarded as assembling that  
21 results in an article or material of a different form, use,  
22 or name.

23 (3) "Machinery" means major mechanical machines or  
24 major components of those machines contributing to a  
25 manufacturing or assembling process.

26 (4) "Equipment" includes an independent device or tool

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

15 (5) "Production related tangible personal property"  
16 means all tangible personal property that is used or  
17 consumed by the purchaser in a manufacturing facility in  
18 which a manufacturing process takes place and includes,  
19 without limitation, tangible personal property that is  
20 purchased for incorporation into real estate within a  
21 manufacturing facility and tangible personal property that  
22 is used or consumed in activities such as research and  
23 development, preproduction material handling, receiving,  
24 quality control, inventory control, storage, staging, and  
25 packaging for shipping and transportation purposes.  
26 "Production related tangible personal property" does not

1 include (i) tangible personal property that is used, within  
2 or without a manufacturing facility, in sales, purchasing,  
3 accounting, fiscal management, marketing, personnel  
4 recruitment or selection, or landscaping or (ii) tangible  
5 personal property that is required to be titled or  
6 registered with a department, agency, or unit of federal,  
7 State, or local government.

8 The manufacturing and assembling machinery and equipment  
9 exemption includes production related tangible personal  
10 property that is purchased (i) on or after July 1, 2007 and on  
11 or before June 30, 2008 or (ii) on and after July 1, 2017. The  
12 exemption for production related tangible personal property  
13 purchased on or after July 1, 2007 and on or before June 30,  
14 2008 is subject to both of the following limitations:

15 (1) The maximum amount of the exemption for any one  
16 taxpayer may not exceed 5% of the purchase price of  
17 production related tangible personal property that is  
18 purchased on or after July 1, 2007 and on or before June  
19 30, 2008. A credit under Section 3-85 of this Act may not  
20 be earned by the purchase of production related tangible  
21 personal property for which an exemption is received under  
22 this Section.

23 (2) The maximum aggregate amount of the exemptions for  
24 production related tangible personal property awarded  
25 under this Act and the Retailers' Occupation Tax Act to all  
26 taxpayers may not exceed \$10,000,000. If the claims for the

1 exemption exceed \$10,000,000, then the Department shall  
2 reduce the amount of the exemption to each taxpayer on a  
3 pro rata basis.

4 The Department may adopt rules to implement and administer the  
5 exemption for production related tangible personal property.

6 The manufacturing and assembling machinery and equipment  
7 exemption includes the sale of materials to a purchaser who  
8 produces exempted types of machinery, equipment, or tools and  
9 who rents or leases that machinery, equipment, or tools to a  
10 manufacturer of tangible personal property. This exemption  
11 also includes the sale of materials to a purchaser who  
12 manufactures those materials into an exempted type of  
13 machinery, equipment, or tools that the purchaser uses himself  
14 or herself in the manufacturing of tangible personal property.  
15 This exemption includes the sale of exempted types of machinery  
16 or equipment to a purchaser who is not the manufacturer, but  
17 who rents or leases the use of the property to a manufacturer.  
18 The purchaser of the machinery and equipment who has an active  
19 resale registration number shall furnish that number to the  
20 seller at the time of purchase. A user of the machinery,  
21 equipment, or tools without an active resale registration  
22 number shall prepare a certificate of exemption for each  
23 transaction stating facts establishing the exemption for that  
24 transaction, and that certificate shall be available to the  
25 Department for inspection or audit. The Department shall  
26 prescribe the form of the certificate. Informal rulings,



1 opinions, or letters issued by the Department in response to an  
2 inquiry or request for an opinion from any person regarding the  
3 coverage and applicability of this exemption to specific  
4 devices shall be published, maintained as a public record, and  
5 made available for public inspection and copying. If the  
6 informal ruling, opinion, or letter contains trade secrets or  
7 other confidential information, where possible, the Department  
8 shall delete that information before publication. Whenever  
9 informal rulings, opinions, or letters contain a policy of  
10 general applicability, the Department shall formulate and  
11 adopt that policy as a rule in accordance with the Illinois  
12 Administrative Procedure Act.

13 The manufacturing and assembling machinery and equipment  
14 exemption, including the addition of production related  
15 tangible personal property, is exempt from the provisions of  
16 Section 3-90.

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

18 (35 ILCS 105/3-55) (from Ch. 120, par. 439.3-55)

19 Sec. 3-55. Multistate exemption. To prevent actual or  
20 likely multistate taxation, the tax imposed by this Act does  
21 not apply to the use of tangible personal property in this  
22 State under the following circumstances:

23 (a) The use, in this State, of tangible personal property  
24 acquired outside this State by a nonresident individual and  
25 brought into this State by the individual for his or her own

1 use while temporarily within this State or while passing  
2 through this State.

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

14 (c) The use, in this State, by owners, lessors, or shippers  
15 of tangible personal property that is utilized by interstate  
16 carriers for hire for use as rolling stock moving in interstate  
17 commerce as long as so used by the interstate carriers for  
18 hire, and equipment operated by a telecommunications provider,  
19 licensed as a common carrier by the Federal Communications  
20 Commission, which is permanently installed in or affixed to  
21 aircraft moving in interstate commerce.

22 (d) The use, in this State, of tangible personal property  
23 or taxable service that is acquired outside this State and  
24 caused to be brought into or performed in this State by a  
25 person who has already paid a tax in another State in respect  
26 to the sale, purchase, or use of that property, to the extent

1 of the amount of the tax properly due and paid in the other  
2 State.

3 (e) The temporary storage, in this State, of tangible  
4 personal property that is acquired outside this State and that,  
5 after being brought into this State and stored here  
6 temporarily, is used solely outside this State or is physically  
7 attached to or incorporated into other tangible personal  
8 property that is used solely outside this State, or is altered  
9 by converting, fabricating, manufacturing, printing,  
10 processing, or shaping, and, as altered, is used solely outside  
11 this State.

12 (f) The temporary storage in this State of building  
13 materials and fixtures that are acquired either in this State  
14 or outside this State by an Illinois registered combination  
15 retailer and construction contractor, and that the purchaser  
16 thereafter uses outside this State by incorporating that  
17 property into real estate located outside this State.

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

26 (h) Except as provided in subsection (h-1), the use, in

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

12 (h-1) The exemption under subsection (h) does not apply if  
13 the state in which the motor vehicle will be titled does not  
14 allow a reciprocal exemption for the use in that state of a  
15 motor vehicle sold and delivered in that state to an Illinois  
16 resident but titled in Illinois. The tax collected under this  
17 Act on the sale of a motor vehicle in this State to a resident  
18 of another state that does not allow a reciprocal exemption  
19 shall be imposed at a rate equal to the state's rate of tax on  
20 taxable property in the state in which the purchaser is a  
21 resident, except that the tax shall not exceed the tax that  
22 would otherwise be imposed under this Act. At the time of the  
23 sale, the purchaser shall execute a statement, signed under  
24 penalty of perjury, of his or her intent to title the vehicle  
25 in the state in which the purchaser is a resident within 30  
26 days after the sale and of the fact of the payment to the State

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

15 (h-2) The following exemptions apply with respect to  
16 certain aircraft:

17 (1) Beginning on July 1, 2007, no tax is imposed under  
18 this Act on the purchase of an aircraft, as defined in  
19 Section 3 of the Illinois Aeronautics Act, if all of the  
20 following conditions are met:

21 (A) the aircraft leaves this State within 15 days  
22 after the later of either the issuance of the final  
23 billing for the purchase of the aircraft or the  
24 authorized approval for return to service, completion  
25 of the maintenance record entry, and completion of the  
26 test flight and ground test for inspection, as required

1 by 14 C.F.R. 91.407;

2 (B) the aircraft is not based or registered in this  
3 State after the purchase of the aircraft; and

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

14 (2) Beginning on July 1, 2007, no tax is imposed under  
15 this Act on the use of an aircraft, as defined in Section 3  
16 of the Illinois Aeronautics Act, that is temporarily  
17 located in this State for the purpose of a prepurchase  
18 evaluation if all of the following conditions are met:

19 (A) the aircraft is not based or registered in this  
20 State after the prepurchase evaluation; and

21 (B) the purchaser provides the Department with a  
22 signed and dated certification, on a form prescribed by  
23 the Department, certifying that the requirements of  
24 this item (2) are met. The certificate must also  
25 include the name and address of the purchaser, the  
26 address of the location where the aircraft is to be

1 titled or registered, the address of the primary  
2 physical location of the aircraft, and other  
3 information that the Department may reasonably  
4 require.

5 (3) Beginning on July 1, 2007, no tax is imposed under  
6 this Act on the use of an aircraft, as defined in Section 3  
7 of the Illinois Aeronautics Act, that is temporarily  
8 located in this State for the purpose of a post-sale  
9 customization if all of the following conditions are met:

10 (A) the aircraft leaves this State within 15 days  
11 after the authorized approval for return to service,  
12 completion of the maintenance record entry, and  
13 completion of the test flight and ground test for  
14 inspection, as required by 14 C.F.R. 91.407;

15 (B) the aircraft is not based or registered in this  
16 State either before or after the post-sale  
17 customization; and

18 (C) the purchaser provides the Department with a  
19 signed and dated certification, on a form prescribed by  
20 the Department, certifying that the requirements of  
21 this item (3) are met. The certificate must also  
22 include the name and address of the purchaser, the  
23 address of the location where the aircraft is to be  
24 titled or registered, the address of the primary  
25 physical location of the aircraft, and other  
26 information that the Department may reasonably

1           require.

2           If tax becomes due under this subsection (h-2) because of  
3 the purchaser's use of the aircraft in this State, the  
4 purchaser shall file a return with the Department and pay the  
5 tax on the fair market value of the aircraft. This return and  
6 payment of the tax must be made no later than 30 days after the  
7 aircraft is used in a taxable manner in this State. The tax is  
8 based on the fair market value of the aircraft on the date that  
9 it is first used in a taxable manner in this State.

10          For purposes of this subsection (h-2):

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          "Post-sale customization" means any improvement,  
16 maintenance, or repair that is performed on an aircraft  
17 following a transfer of ownership of the aircraft.

18          "Prepurchase evaluation" means an examination of an  
19 aircraft to provide a potential purchaser with information  
20 relevant to the potential purchase.

21          "Registered in this State" means an aircraft registered  
22 with the Department of Transportation, Aeronautics Division,  
23 or titled or registered with the Federal Aviation  
24 Administration to an address located in this State.

25          This subsection (h-2) is exempt from the provisions of  
26 Section 3-90.



1           (i) Beginning July 1, 1999, the use, in this State, of fuel  
2 acquired outside this State and brought into this State in the  
3 fuel supply tanks of locomotives engaged in freight hauling and  
4 passenger service for interstate commerce. This subsection is  
5 exempt from the provisions of Section 3-90.

6           (j) Beginning on January 1, 2002 and through June 30, 2016,  
7 the use of tangible personal property purchased from an  
8 Illinois retailer by a taxpayer engaged in centralized  
9 purchasing activities in Illinois who will, upon receipt of the  
10 property in Illinois, temporarily store the property in  
11 Illinois (i) for the purpose of subsequently transporting it  
12 outside this State for use or consumption thereafter solely  
13 outside this State or (ii) for the purpose of being processed,  
14 fabricated, or manufactured into, attached to, or incorporated  
15 into other tangible personal property to be transported outside  
16 this State and thereafter used or consumed solely outside this  
17 State. The Director of Revenue shall, pursuant to rules adopted  
18 in accordance with the Illinois Administrative Procedure Act,  
19 issue a permit to any taxpayer in good standing with the  
20 Department who is eligible for the exemption under this  
21 subsection (j). The permit issued under this subsection (j)  
22 shall authorize the holder, to the extent and in the manner  
23 specified in the rules adopted under this Act, to purchase  
24 tangible personal property from a retailer exempt from the  
25 taxes imposed by this Act. Taxpayers shall maintain all  
26 necessary books and records to substantiate the use and

1 consumption of all such tangible personal property outside of  
2 the State of Illinois.

3 (Source: P.A. 97-73, eff. 6-30-11.)

4 (35 ILCS 105/3-65) (from Ch. 120, par. 439.3-65)

5 Sec. 3-65. R.O.T. nontaxability. If the seller of tangible  
6 personal property or taxable service for use would not be  
7 taxable under the Retailers' Occupation Tax Act despite all  
8 elements of the sale occurring in Illinois, then the tax  
9 imposed by this Act does not apply to the use of the tangible  
10 personal property or taxable service in this State.

11 (Source: P.A. 91-51, eff. 6-30-99.)

12 (35 ILCS 105/3-75) (from Ch. 120, par. 439.3-75)

13 Sec. 3-75. Serviceman transfer. Tangible personal property  
14 purchased by a serviceman, as defined in Section 2 of the  
15 Service Occupation Tax Act, is subject to the tax imposed by  
16 this Act when purchased for transfer by the serviceman  
17 incidental to completion of a maintenance agreement. Effective  
18 January 1, 2018, purchases of tangible personal property  
19 purchased for transfer incidental to performance of a taxable  
20 service is not subject to the tax imposed by this Act.

21 (Source: P.A. 91-51, eff. 6-30-99.)

22 (35 ILCS 105/3a) (from Ch. 120, par. 439.3a)

23 Sec. 3a. The tax imposed by the Act shall when collected be

1 stated as a distinct item separate and apart from the selling  
2 price of the tangible personal property or taxable service.  
3 However, where it is not possible to state the sales tax  
4 separately in situations such as sales from vending machines or  
5 sales of liquor by the drink the Department may by rule exempt  
6 such sales from this requirement so long as purchasers are  
7 notified by a sign that the tax is included in the selling  
8 price.

9 (Source: P.A. 84-229.)

10 (35 ILCS 105/4) (from Ch. 120, par. 439.4)

11 Sec. 4. Evidence that tangible personal property or taxable  
12 service was sold by any person for delivery to a person  
13 residing or engaged in business in this State shall be prima  
14 facie evidence that such tangible personal property or taxable  
15 service was sold for use in this State.

16 (Source: Laws 1955, p. 2027.)

17 (35 ILCS 105/5) (from Ch. 120, par. 439.5)

18 Sec. 5. Except as to motor vehicles and other items of  
19 tangible personal property that must be titled or registered  
20 under an Illinois law, but that cannot be so titled or  
21 registered without a use tax receipt or exemption determination  
22 from the Department, every retailer maintaining a place of  
23 business in this State and making sales of tangible personal  
24 property or taxable service for use in this State (whether

1 those sales are made within or without this State) shall, when  
2 collecting the tax as provided in Section 3-45 of this Act from  
3 the purchaser, give to the purchaser (if demanded by the  
4 purchaser) a receipt for the tax in the manner and form  
5 prescribed by the Department. The receipt shall be sufficient  
6 to relieve the purchaser from further liability for the tax to  
7 which the receipt may refer. Each retailer shall list with the  
8 Department the names and addresses of all of his or her agents  
9 operating in this State and the location of any and all of his  
10 or her distribution or sales houses, offices, or other places  
11 of business in this State.

12 (Source: P.A. 86-1475.)

13 (35 ILCS 105/7) (from Ch. 120, par. 439.7)

14 Sec. 7.

15 It is unlawful for any retailer to advertise or hold out or  
16 state to the public or to any purchaser, consumer or user,  
17 directly or indirectly, that the tax or any part thereof  
18 imposed by Section 3 hereof will be assumed or absorbed by the  
19 retailer or that it will not be added to the selling price of  
20 the property or taxable service sold, or if added that it or  
21 any part thereof will be refunded other than when the retailer  
22 refunds the selling price and tax because of the merchandise's  
23 being returned to the retailer (or the taxable service  
24 transaction's being partially or wholly cancelled) or other  
25 than when the retailer credits or refunds the tax to the

1 purchaser to support a claim filed with the Department under  
2 the Retailers' Occupation Tax Act or under this Act. Any person  
3 violating any of the provisions of this Section within this  
4 State shall be guilty of a Class A misdemeanor.

5 (Source: P.A. 77-2830.)

6 (35 ILCS 105/9) (from Ch. 120, par. 439.9)

7 Sec. 9. Except as to motor vehicles, watercraft, aircraft,  
8 and trailers that are required to be registered with an agency  
9 of this State, each retailer required or authorized to collect  
10 the tax imposed by this Act shall pay to the Department the  
11 amount of such tax (except as otherwise provided) at the time  
12 when he is required to file his return for the period during  
13 which such tax was collected, less a discount of 2.1% prior to  
14 January 1, 1990, and 1.75% on and after January 1, 1990, or \$5  
15 per calendar year, whichever is greater, which is allowed to  
16 reimburse the retailer for expenses incurred in collecting the  
17 tax, keeping records, preparing and filing returns, remitting  
18 the tax and supplying data to the Department on request. In the  
19 case of retailers who report and pay the tax on a transaction  
20 by transaction basis, as provided in this Section, such  
21 discount shall be taken with each such tax remittance instead  
22 of when such retailer files his periodic return. The Department  
23 may disallow the discount for retailers whose certificate of  
24 registration is revoked at the time the return is filed, but  
25 only if the Department's decision to revoke the certificate of

1 registration has become final. A retailer need not remit that  
2 part of any tax collected by him to the extent that he is  
3 required to remit and does remit the tax imposed by the  
4 Retailers' Occupation Tax Act, with respect to the sale of the  
5 same property.

6 Where such tangible personal property or taxable service is  
7 sold under a conditional sales contract, or under any other  
8 form of sale wherein the payment of the principal sum, or a  
9 part thereof, is extended beyond the close of the period for  
10 which the return is filed, the retailer, in collecting the tax  
11 (except as to motor vehicles, watercraft, aircraft, and  
12 trailers that are required to be registered with an agency of  
13 this State), may collect for each tax return period, only the  
14 tax applicable to that part of the selling price actually  
15 received during such tax return period.

16 Except as provided in this Section, on or before the  
17 twentieth day of each calendar month, such retailer shall file  
18 a return for the preceding calendar month. Such return shall be  
19 filed on forms prescribed by the Department and shall furnish  
20 such information as the Department may reasonably require.

21 The Department may require returns to be filed on a  
22 quarterly basis. If so required, a return for each calendar  
23 quarter shall be filed on or before the twentieth day of the  
24 calendar month following the end of such calendar quarter. The  
25 taxpayer shall also file a return with the Department for each  
26 of the first two months of each calendar quarter, on or before

1 the twentieth day of the following calendar month, stating:

2 1. The name of the seller;

3 2. The address of the principal place of business from  
4 which he engages in the business of selling tangible  
5 personal property at retail in this State;

6 3. The total amount of taxable receipts received by him  
7 during the preceding calendar month from sales of tangible  
8 personal property by him during such preceding calendar  
9 month, including receipts from charge and time sales, but  
10 less all deductions allowed by law;

11 4. The amount of credit provided in Section 2d of this  
12 Act;

13 5. The amount of tax due;

14 5-5. The signature of the taxpayer; and

15 6. Such other reasonable information as the Department  
16 may require.

17 If a taxpayer fails to sign a return within 30 days after  
18 the proper notice and demand for signature by the Department,  
19 the return shall be considered valid and any amount shown to be  
20 due on the return shall be deemed assessed.

21 Beginning October 1, 1993, a taxpayer who has an average  
22 monthly tax liability of \$150,000 or more shall make all  
23 payments required by rules of the Department by electronic  
24 funds transfer. Beginning October 1, 1994, a taxpayer who has  
25 an average monthly tax liability of \$100,000 or more shall make  
26 all payments required by rules of the Department by electronic

1 funds transfer. Beginning October 1, 1995, a taxpayer who has  
2 an average monthly tax liability of \$50,000 or more shall make  
3 all payments required by rules of the Department by electronic  
4 funds transfer. Beginning October 1, 2000, a taxpayer who has  
5 an annual tax liability of \$200,000 or more shall make all  
6 payments required by rules of the Department by electronic  
7 funds transfer. The term "annual tax liability" shall be the  
8 sum of the taxpayer's liabilities under this Act, and under all  
9 other State and local occupation and use tax laws administered  
10 by the Department, for the immediately preceding calendar year.  
11 The term "average monthly tax liability" means the sum of the  
12 taxpayer's liabilities under this Act, and under all other  
13 State and local occupation and use tax laws administered by the  
14 Department, for the immediately preceding calendar year  
15 divided by 12. Beginning on October 1, 2002, a taxpayer who has  
16 a tax liability in the amount set forth in subsection (b) of  
17 Section 2505-210 of the Department of Revenue Law shall make  
18 all payments required by rules of the Department by electronic  
19 funds transfer.

20 Before August 1 of each year beginning in 1993, the  
21 Department shall notify all taxpayers required to make payments  
22 by electronic funds transfer. All taxpayers required to make  
23 payments by electronic funds transfer shall make those payments  
24 for a minimum of one year beginning on October 1.

25 Any taxpayer not required to make payments by electronic  
26 funds transfer may make payments by electronic funds transfer



1 with the permission of the Department.

2 All taxpayers required to make payment by electronic funds  
3 transfer and any taxpayers authorized to voluntarily make  
4 payments by electronic funds transfer shall make those payments  
5 in the manner authorized by the Department.

6 The Department shall adopt such rules as are necessary to  
7 effectuate a program of electronic funds transfer and the  
8 requirements of this Section.

9 Before October 1, 2000, if the taxpayer's average monthly  
10 tax liability to the Department under this Act, the Retailers'  
11 Occupation Tax Act, the Service Occupation Tax Act, the Service  
12 Use Tax Act was \$10,000 or more during the preceding 4 complete  
13 calendar quarters, he shall file a return with the Department  
14 each month by the 20th day of the month next following the  
15 month during which such tax liability is incurred and shall  
16 make payments to the Department on or before the 7th, 15th,  
17 22nd and last day of the month during which such liability is  
18 incurred. On and after October 1, 2000, if the taxpayer's  
19 average monthly tax liability to the Department under this Act,  
20 the Retailers' Occupation Tax Act, the Service Occupation Tax  
21 Act, and the Service Use Tax Act was \$20,000 or more during the  
22 preceding 4 complete calendar quarters, he shall file a return  
23 with the Department each month by the 20th day of the month  
24 next following the month during which such tax liability is  
25 incurred and shall make payment to the Department on or before  
26 the 7th, 15th, 22nd and last day of the month during which such

1 liability is incurred. If the month during which such tax  
2 liability is incurred began prior to January 1, 1985, each  
3 payment shall be in an amount equal to 1/4 of the taxpayer's  
4 actual liability for the month or an amount set by the  
5 Department not to exceed 1/4 of the average monthly liability  
6 of the taxpayer to the Department for the preceding 4 complete  
7 calendar quarters (excluding the month of highest liability and  
8 the month of lowest liability in such 4 quarter period). If the  
9 month during which such tax liability is incurred begins on or  
10 after January 1, 1985, and prior to January 1, 1987, each  
11 payment shall be in an amount equal to 22.5% of the taxpayer's  
12 actual liability for the month or 27.5% of the taxpayer's  
13 liability for the same calendar month of the preceding year. If  
14 the month during which such tax liability is incurred begins on  
15 or after January 1, 1987, and prior to January 1, 1988, each  
16 payment shall be in an amount equal to 22.5% of the taxpayer's  
17 actual liability for the month or 26.25% of the taxpayer's  
18 liability for the same calendar month of the preceding year. If  
19 the month during which such tax liability is incurred begins on  
20 or after January 1, 1988, and prior to January 1, 1989, or  
21 begins on or after January 1, 1996, each payment shall be in an  
22 amount equal to 22.5% of the taxpayer's actual liability for  
23 the month or 25% of the taxpayer's liability for the same  
24 calendar month of the preceding year. If the month during which  
25 such tax liability is incurred begins on or after January 1,  
26 1989, and prior to January 1, 1996, each payment shall be in an

1 amount equal to 22.5% of the taxpayer's actual liability for  
2 the month or 25% of the taxpayer's liability for the same  
3 calendar month of the preceding year or 100% of the taxpayer's  
4 actual liability for the quarter monthly reporting period. The  
5 amount of such quarter monthly payments shall be credited  
6 against the final tax liability of the taxpayer's return for  
7 that month. Before October 1, 2000, once applicable, the  
8 requirement of the making of quarter monthly payments to the  
9 Department shall continue until such taxpayer's average  
10 monthly liability to the Department during the preceding 4  
11 complete calendar quarters (excluding the month of highest  
12 liability and the month of lowest liability) is less than  
13 \$9,000, or until such taxpayer's average monthly liability to  
14 the Department as computed for each calendar quarter of the 4  
15 preceding complete calendar quarter period is less than  
16 \$10,000. However, if a taxpayer can show the Department that a  
17 substantial change in the taxpayer's business has occurred  
18 which causes the taxpayer to anticipate that his average  
19 monthly tax liability for the reasonably foreseeable future  
20 will fall below the \$10,000 threshold stated above, then such  
21 taxpayer may petition the Department for change in such  
22 taxpayer's reporting status. On and after October 1, 2000, once  
23 applicable, the requirement of the making of quarter monthly  
24 payments to the Department shall continue until such taxpayer's  
25 average monthly liability to the Department during the  
26 preceding 4 complete calendar quarters (excluding the month of

1 highest liability and the month of lowest liability) is less  
2 than \$19,000 or until such taxpayer's average monthly liability  
3 to the Department as computed for each calendar quarter of the  
4 4 preceding complete calendar quarter period is less than  
5 \$20,000. However, if a taxpayer can show the Department that a  
6 substantial change in the taxpayer's business has occurred  
7 which causes the taxpayer to anticipate that his average  
8 monthly tax liability for the reasonably foreseeable future  
9 will fall below the \$20,000 threshold stated above, then such  
10 taxpayer may petition the Department for a change in such  
11 taxpayer's reporting status. The Department shall change such  
12 taxpayer's reporting status unless it finds that such change is  
13 seasonal in nature and not likely to be long term. If any such  
14 quarter monthly payment is not paid at the time or in the  
15 amount required by this Section, then the taxpayer shall be  
16 liable for penalties and interest on the difference between the  
17 minimum amount due and the amount of such quarter monthly  
18 payment actually and timely paid, except insofar as the  
19 taxpayer has previously made payments for that month to the  
20 Department in excess of the minimum payments previously due as  
21 provided in this Section. The Department shall make reasonable  
22 rules and regulations to govern the quarter monthly payment  
23 amount and quarter monthly payment dates for taxpayers who file  
24 on other than a calendar monthly basis.

25 If any such payment provided for in this Section exceeds  
26 the taxpayer's liabilities under this Act, the Retailers'

1 Occupation Tax Act, the Service Occupation Tax Act and the  
2 Service Use Tax Act, as shown by an original monthly return,  
3 the Department shall issue to the taxpayer a credit memorandum  
4 no later than 30 days after the date of payment, which  
5 memorandum may be submitted by the taxpayer to the Department  
6 in payment of tax liability subsequently to be remitted by the  
7 taxpayer to the Department or be assigned by the taxpayer to a  
8 similar taxpayer under this Act, the Retailers' Occupation Tax  
9 Act, the Service Occupation Tax Act or the Service Use Tax Act,  
10 in accordance with reasonable rules and regulations to be  
11 prescribed by the Department, except that if such excess  
12 payment is shown on an original monthly return and is made  
13 after December 31, 1986, no credit memorandum shall be issued,  
14 unless requested by the taxpayer. If no such request is made,  
15 the taxpayer may credit such excess payment against tax  
16 liability subsequently to be remitted by the taxpayer to the  
17 Department under this Act, the Retailers' Occupation Tax Act,  
18 the Service Occupation Tax Act or the Service Use Tax Act, in  
19 accordance with reasonable rules and regulations prescribed by  
20 the Department. If the Department subsequently determines that  
21 all or any part of the credit taken was not actually due to the  
22 taxpayer, the taxpayer's 2.1% or 1.75% vendor's discount shall  
23 be reduced by 2.1% or 1.75% of the difference between the  
24 credit taken and that actually due, and the taxpayer shall be  
25 liable for penalties and interest on such difference.

26 If the retailer is otherwise required to file a monthly

1 return and if the retailer's average monthly tax liability to  
2 the Department does not exceed \$200, the Department may  
3 authorize his returns to be filed on a quarter annual basis,  
4 with the return for January, February, and March of a given  
5 year being due by April 20 of such year; with the return for  
6 April, May and June of a given year being due by July 20 of such  
7 year; with the return for July, August and September of a given  
8 year being due by October 20 of such year, and with the return  
9 for October, November and December of a given year being due by  
10 January 20 of the following year.

11 If the retailer is otherwise required to file a monthly or  
12 quarterly return and if the retailer's average monthly tax  
13 liability to the Department does not exceed \$50, the Department  
14 may authorize his returns to be filed on an annual basis, with  
15 the return for a given year being due by January 20 of the  
16 following year.

17 Such quarter annual and annual returns, as to form and  
18 substance, shall be subject to the same requirements as monthly  
19 returns.

20 Notwithstanding any other provision in this Act concerning  
21 the time within which a retailer may file his return, in the  
22 case of any retailer who ceases to engage in a kind of business  
23 which makes him responsible for filing returns under this Act,  
24 such retailer shall file a final return under this Act with the  
25 Department not more than one month after discontinuing such  
26 business.

1           In addition, with respect to motor vehicles, watercraft,  
2 aircraft, and trailers that are required to be registered with  
3 an agency of this State, every retailer selling this kind of  
4 tangible personal property shall file, with the Department,  
5 upon a form to be prescribed and supplied by the Department, a  
6 separate return for each such item of tangible personal  
7 property which the retailer sells, except that if, in the same  
8 transaction, (i) a retailer of aircraft, watercraft, motor  
9 vehicles or trailers transfers more than one aircraft,  
10 watercraft, motor vehicle or trailer to another aircraft,  
11 watercraft, motor vehicle or trailer retailer for the purpose  
12 of resale or (ii) a retailer of aircraft, watercraft, motor  
13 vehicles, or trailers transfers more than one aircraft,  
14 watercraft, motor vehicle, or trailer to a purchaser for use as  
15 a qualifying rolling stock as provided in Section 3-55 of this  
16 Act, then that seller may report the transfer of all the  
17 aircraft, watercraft, motor vehicles or trailers involved in  
18 that transaction to the Department on the same uniform  
19 invoice-transaction reporting return form. For purposes of  
20 this Section, "watercraft" means a Class 2, Class 3, or Class 4  
21 watercraft as defined in Section 3-2 of the Boat Registration  
22 and Safety Act, a personal watercraft, or any boat equipped  
23 with an inboard motor.

24           The transaction reporting return in the case of motor  
25 vehicles or trailers that are required to be registered with an  
26 agency of this State, shall be the same document as the Uniform

1 Invoice referred to in Section 5-402 of the Illinois Vehicle  
2 Code and must show the name and address of the seller; the name  
3 and address of the purchaser; the amount of the selling price  
4 including the amount allowed by the retailer for traded-in  
5 property, if any; the amount allowed by the retailer for the  
6 traded-in tangible personal property, if any, to the extent to  
7 which Section 2 of this Act allows an exemption for the value  
8 of traded-in property; the balance payable after deducting such  
9 trade-in allowance from the total selling price; the amount of  
10 tax due from the retailer with respect to such transaction; the  
11 amount of tax collected from the purchaser by the retailer on  
12 such transaction (or satisfactory evidence that such tax is not  
13 due in that particular instance, if that is claimed to be the  
14 fact); the place and date of the sale; a sufficient  
15 identification of the property sold; such other information as  
16 is required in Section 5-402 of the Illinois Vehicle Code, and  
17 such other information as the Department may reasonably  
18 require.

19 The transaction reporting return in the case of watercraft  
20 and aircraft must show the name and address of the seller; the  
21 name and address of the purchaser; the amount of the selling  
22 price including the amount allowed by the retailer for  
23 traded-in property, if any; the amount allowed by the retailer  
24 for the traded-in tangible personal property, if any, to the  
25 extent to which Section 2 of this Act allows an exemption for  
26 the value of traded-in property; the balance payable after



1 deducting such trade-in allowance from the total selling price;  
2 the amount of tax due from the retailer with respect to such  
3 transaction; the amount of tax collected from the purchaser by  
4 the retailer on such transaction (or satisfactory evidence that  
5 such tax is not due in that particular instance, if that is  
6 claimed to be the fact); the place and date of the sale, a  
7 sufficient identification of the property sold, and such other  
8 information as the Department may reasonably require.

9       Such transaction reporting return shall be filed not later  
10 than 20 days after the date of delivery of the item that is  
11 being sold, but may be filed by the retailer at any time sooner  
12 than that if he chooses to do so. The transaction reporting  
13 return and tax remittance or proof of exemption from the tax  
14 that is imposed by this Act may be transmitted to the  
15 Department by way of the State agency with which, or State  
16 officer with whom, the tangible personal property must be  
17 titled or registered (if titling or registration is required)  
18 if the Department and such agency or State officer determine  
19 that this procedure will expedite the processing of  
20 applications for title or registration.

21       With each such transaction reporting return, the retailer  
22 shall remit the proper amount of tax due (or shall submit  
23 satisfactory evidence that the sale is not taxable if that is  
24 the case), to the Department or its agents, whereupon the  
25 Department shall issue, in the purchaser's name, a tax receipt  
26 (or a certificate of exemption if the Department is satisfied

1 that the particular sale is tax exempt) which such purchaser  
2 may submit to the agency with which, or State officer with  
3 whom, he must title or register the tangible personal property  
4 that is involved (if titling or registration is required) in  
5 support of such purchaser's application for an Illinois  
6 certificate or other evidence of title or registration to such  
7 tangible personal property.

8 No retailer's failure or refusal to remit tax under this  
9 Act precludes a user, who has paid the proper tax to the  
10 retailer, from obtaining his certificate of title or other  
11 evidence of title or registration (if titling or registration  
12 is required) upon satisfying the Department that such user has  
13 paid the proper tax (if tax is due) to the retailer. The  
14 Department shall adopt appropriate rules to carry out the  
15 mandate of this paragraph.

16 If the user who would otherwise pay tax to the retailer  
17 wants the transaction reporting return filed and the payment of  
18 tax or proof of exemption made to the Department before the  
19 retailer is willing to take these actions and such user has not  
20 paid the tax to the retailer, such user may certify to the fact  
21 of such delay by the retailer, and may (upon the Department  
22 being satisfied of the truth of such certification) transmit  
23 the information required by the transaction reporting return  
24 and the remittance for tax or proof of exemption directly to  
25 the Department and obtain his tax receipt or exemption  
26 determination, in which event the transaction reporting return

1 and tax remittance (if a tax payment was required) shall be  
2 credited by the Department to the proper retailer's account  
3 with the Department, but without the 2.1% or 1.75% discount  
4 provided for in this Section being allowed. When the user pays  
5 the tax directly to the Department, he shall pay the tax in the  
6 same amount and in the same form in which it would be remitted  
7 if the tax had been remitted to the Department by the retailer.

8 Where a retailer collects the tax with respect to the  
9 selling price of tangible personal property or taxable service  
10 which he sells and the purchaser thereafter returns such  
11 tangible personal property or cancels the providing of taxable  
12 service and the retailer refunds the selling price thereof to  
13 the purchaser, such retailer shall also refund, to the  
14 purchaser, the tax so collected from the purchaser. When filing  
15 his return for the period in which he refunds such tax to the  
16 purchaser, the retailer may deduct the amount of the tax so  
17 refunded by him to the purchaser from any other use tax which  
18 such retailer may be required to pay or remit to the  
19 Department, as shown by such return, if the amount of the tax  
20 to be deducted was previously remitted to the Department by  
21 such retailer. If the retailer has not previously remitted the  
22 amount of such tax to the Department, he is entitled to no  
23 deduction under this Act upon refunding such tax to the  
24 purchaser.

25 Any retailer filing a return under this Section shall also  
26 include (for the purpose of paying tax thereon) the total tax

1 covered by such return upon the selling price of tangible  
2 personal property or taxable service purchased by him at retail  
3 from a retailer, but as to which the tax imposed by this Act  
4 was not collected from the retailer filing such return, and  
5 such retailer shall remit the amount of such tax to the  
6 Department when filing such return.

7 If experience indicates such action to be practicable, the  
8 Department may prescribe and furnish a combination or joint  
9 return which will enable retailers, who are required to file  
10 returns hereunder and also under the Retailers' Occupation Tax  
11 Act, to furnish all the return information required by both  
12 Acts on the one form.

13 Where the retailer has more than one business registered  
14 with the Department under separate registration under this Act,  
15 such retailer may not file each return that is due as a single  
16 return covering all such registered businesses, but shall file  
17 separate returns for each such registered business.

18 Beginning January 1, 1990, each month the Department shall  
19 pay into the State and Local Sales Tax Reform Fund, a special  
20 fund in the State Treasury which is hereby created, the net  
21 revenue realized for the preceding month from the 1% tax on  
22 sales of food for human consumption which is to be consumed off  
23 the premises where it is sold (other than alcoholic beverages,  
24 soft drinks and food which has been prepared for immediate  
25 consumption) and prescription and nonprescription medicines,  
26 drugs, medical appliances, products classified as Class III

1 medical devices by the United States Food and Drug  
2 Administration that are used for cancer treatment pursuant to a  
3 prescription, as well as any accessories and components related  
4 to those devices, and insulin, urine testing materials,  
5 syringes and needles used by diabetics.

6 Beginning January 1, 1990, each month the Department shall  
7 pay into the County and Mass Transit District Fund 4% of the  
8 net revenue realized for the preceding month from the 6.25%  
9 general rate on the selling price of tangible personal property  
10 which is purchased outside Illinois at retail from a retailer  
11 and which is titled or registered by an agency of this State's  
12 government.

13 Beginning January 1, 1990, each month the Department shall  
14 pay into the State and Local Sales Tax Reform Fund, a special  
15 fund in the State Treasury, 20% of the net revenue realized for  
16 the preceding month from the 6.25% general rate on the selling  
17 price of tangible personal property, other than tangible  
18 personal property which is purchased outside Illinois at retail  
19 from a retailer and which is titled or registered by an agency  
20 of this State's government.

21 From July 1, 2017 through June 30, 2018, no deposits shall  
22 be made into the State and Local Sales Tax Reform Fund from the  
23 net revenue realized from the 6.25% general rate on taxable  
24 services. Beginning July 1, 2018 and through June 30, 2019,  
25 each month the Department shall pay into the State and Local  
26 Sales Tax Reform Fund 7% of the net revenue realized for the

1 preceding month from the 6.25% general rate on the selling  
2 price of taxable services. Beginning July 1, 2019 and through  
3 June 30, 2020, each month the Department shall pay into the  
4 State and Local Sales Tax Reform Fund 13% of the net revenue  
5 realized for the preceding month from the 6.25% general rate on  
6 the selling price of taxable services. Beginning July 1, 2020,  
7 each month the Department shall pay into the State and Local  
8 Sales Tax Reform Fund 20% of the net revenue realized for the  
9 preceding month from the 6.25% general rate on the selling  
10 price of taxable services.

11       Beginning August 1, 2000, each month the Department shall  
12 pay into the State and Local Sales Tax Reform Fund 100% of the  
13 net revenue realized for the preceding month from the 1.25%  
14 rate on the selling price of motor fuel and gasohol. Beginning  
15 September 1, 2010, each month the Department shall pay into the  
16 State and Local Sales Tax Reform Fund 100% of the net revenue  
17 realized for the preceding month from the 1.25% rate on the  
18 selling price of sales tax holiday items.

19       Beginning January 1, 1990, each month the Department shall  
20 pay into the Local Government Tax Fund 16% of the net revenue  
21 realized for the preceding month from the 6.25% general rate on  
22 the selling price of tangible personal property which is  
23 purchased outside Illinois at retail from a retailer and which  
24 is titled or registered by an agency of this State's  
25 government.

26       Beginning October 1, 2009, each month the Department shall

1 pay into the Capital Projects Fund an amount that is equal to  
2 an amount estimated by the Department to represent 80% of the  
3 net revenue realized for the preceding month from the sale of  
4 candy, grooming and hygiene products, and soft drinks that had  
5 been taxed at a rate of 1% prior to September 1, 2009 but that  
6 are now taxed at 6.25%.

7 Beginning July 1, 2011, each month the Department shall pay  
8 into the Clean Air Act Permit Fund 80% of the net revenue  
9 realized for the preceding month from the 6.25% general rate on  
10 the selling price of sorbents used in Illinois in the process  
11 of sorbent injection as used to comply with the Environmental  
12 Protection Act or the federal Clean Air Act, but the total  
13 payment into the Clean Air Act Permit Fund under this Act and  
14 the Retailers' Occupation Tax Act shall not exceed \$2,000,000  
15 in any fiscal year.

16 Beginning July 1, 2013, each month the Department shall pay  
17 into the Underground Storage Tank Fund from the proceeds  
18 collected under this Act, the Service Use Tax Act, the Service  
19 Occupation Tax Act, and the Retailers' Occupation Tax Act an  
20 amount equal to the average monthly deficit in the Underground  
21 Storage Tank Fund during the prior year, as certified annually  
22 by the Illinois Environmental Protection Agency, but the total  
23 payment into the Underground Storage Tank Fund under this Act,  
24 the Service Use Tax Act, the Service Occupation Tax Act, and  
25 the Retailers' Occupation Tax Act shall not exceed \$18,000,000  
26 in any State fiscal year. As used in this paragraph, the

1 "average monthly deficit" shall be equal to the difference  
2 between the average monthly claims for payment by the fund and  
3 the average monthly revenues deposited into the fund, excluding  
4 payments made pursuant to this paragraph.

5 Beginning July 1, 2015, of the remainder of the moneys  
6 received by the Department under this Act, the Service Use Tax  
7 Act, the Service Occupation Tax Act, and the Retailers'  
8 Occupation Tax Act, each month the Department shall deposit  
9 \$500,000 into the State Crime Laboratory Fund.

10 Of the remainder of the moneys received by the Department  
11 pursuant to this Act, (a) 1.75% thereof shall be paid into the  
12 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on  
13 and after July 1, 1989, 3.8% thereof shall be paid into the  
14 Build Illinois Fund; provided, however, that if in any fiscal  
15 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case  
16 may be, of the moneys received by the Department and required  
17 to be paid into the Build Illinois Fund pursuant to Section 3  
18 of the Retailers' Occupation Tax Act, Section 9 of the Use Tax  
19 Act, Section 9 of the Service Use Tax Act, and Section 9 of the  
20 Service Occupation Tax Act, such Acts being hereinafter called  
21 the "Tax Acts" and such aggregate of 2.2% or 3.8%, as the case  
22 may be, of moneys being hereinafter called the "Tax Act  
23 Amount", and (2) the amount transferred to the Build Illinois  
24 Fund from the State and Local Sales Tax Reform Fund shall be  
25 less than the Annual Specified Amount (as defined in Section 3  
26 of the Retailers' Occupation Tax Act), an amount equal to the



1 difference shall be immediately paid into the Build Illinois  
2 Fund from other moneys received by the Department pursuant to  
3 the Tax Acts; and further provided, that if on the last  
4 business day of any month the sum of (1) the Tax Act Amount  
5 required to be deposited into the Build Illinois Bond Account  
6 in the Build Illinois Fund during such month and (2) the amount  
7 transferred during such month to the Build Illinois Fund from  
8 the State and Local Sales Tax Reform Fund shall have been less  
9 than 1/12 of the Annual Specified Amount, an amount equal to  
10 the difference shall be immediately paid into the Build  
11 Illinois Fund from other moneys received by the Department  
12 pursuant to the Tax Acts; and, further provided, that in no  
13 event shall the payments required under the preceding proviso  
14 result in aggregate payments into the Build Illinois Fund  
15 pursuant to this clause (b) for any fiscal year in excess of  
16 the greater of (i) the Tax Act Amount or (ii) the Annual  
17 Specified Amount for such fiscal year; and, further provided,  
18 that the amounts payable into the Build Illinois Fund under  
19 this clause (b) shall be payable only until such time as the  
20 aggregate amount on deposit under each trust indenture securing  
21 Bonds issued and outstanding pursuant to the Build Illinois  
22 Bond Act is sufficient, taking into account any future  
23 investment income, to fully provide, in accordance with such  
24 indenture, for the defeasance of or the payment of the  
25 principal of, premium, if any, and interest on the Bonds  
26 secured by such indenture and on any Bonds expected to be

1 issued thereafter and all fees and costs payable with respect  
2 thereto, all as certified by the Director of the Bureau of the  
3 Budget (now Governor's Office of Management and Budget). If on  
4 the last business day of any month in which Bonds are  
5 outstanding pursuant to the Build Illinois Bond Act, the  
6 aggregate of the moneys deposited in the Build Illinois Bond  
7 Account in the Build Illinois Fund in such month shall be less  
8 than the amount required to be transferred in such month from  
9 the Build Illinois Bond Account to the Build Illinois Bond  
10 Retirement and Interest Fund pursuant to Section 13 of the  
11 Build Illinois Bond Act, an amount equal to such deficiency  
12 shall be immediately paid from other moneys received by the  
13 Department pursuant to the Tax Acts to the Build Illinois Fund;  
14 provided, however, that any amounts paid to the Build Illinois  
15 Fund in any fiscal year pursuant to this sentence shall be  
16 deemed to constitute payments pursuant to clause (b) of the  
17 preceding sentence and shall reduce the amount otherwise  
18 payable for such fiscal year pursuant to clause (b) of the  
19 preceding sentence. The moneys received by the Department  
20 pursuant to this Act and required to be deposited into the  
21 Build Illinois Fund are subject to the pledge, claim and charge  
22 set forth in Section 12 of the Build Illinois Bond Act.

23 Subject to payment of amounts into the Build Illinois Fund  
24 as provided in the preceding paragraph or in any amendment  
25 thereto hereafter enacted, the following specified monthly  
26 installment of the amount requested in the certificate of the

1 Chairman of the Metropolitan Pier and Exposition Authority  
2 provided under Section 8.25f of the State Finance Act, but not  
3 in excess of the sums designated as "Total Deposit", shall be  
4 deposited in the aggregate from collections under Section 9 of  
5 the Use Tax Act, Section 9 of the Service Use Tax Act, Section  
6 9 of the Service Occupation Tax Act, and Section 3 of the  
7 Retailers' Occupation Tax Act into the McCormick Place  
8 Expansion Project Fund in the specified fiscal years.

9	Fiscal Year	Total Deposit
10	1993	\$0
11	1994	53,000,000
12	1995	58,000,000
13	1996	61,000,000
14	1997	64,000,000
15	1998	68,000,000
16	1999	71,000,000
17	2000	75,000,000
18	2001	80,000,000
19	2002	93,000,000
20	2003	99,000,000
21	2004	103,000,000
22	2005	108,000,000
23	2006	113,000,000
24	2007	119,000,000
25	2008	126,000,000
26	2009	132,000,000

1	2010	139,000,000
2	2011	146,000,000
3	2012	153,000,000
4	2013	161,000,000
5	2014	170,000,000
6	2015	179,000,000
7	2016	189,000,000
8	2017	199,000,000
9	2018	210,000,000
10	2019	221,000,000
11	2020	233,000,000
12	2021	246,000,000
13	2022	260,000,000
14	2023	275,000,000
15	2024	275,000,000
16	2025	275,000,000
17	2026	279,000,000
18	2027	292,000,000
19	2028	307,000,000
20	2029	322,000,000
21	2030	338,000,000
22	2031	350,000,000
23	2032	350,000,000
24	and	
25	each fiscal year	
26	thereafter that bonds	

1           are outstanding under  
2           Section 13.2 of the  
3           Metropolitan Pier and  
4           Exposition Authority Act,  
5       but not after fiscal year 2060.

6           Beginning July 20, 1993 and in each month of each fiscal  
7       year thereafter, one-eighth of the amount requested in the  
8       certificate of the Chairman of the Metropolitan Pier and  
9       Exposition Authority for that fiscal year, less the amount  
10      deposited into the McCormick Place Expansion Project Fund by  
11      the State Treasurer in the respective month under subsection  
12      (g) of Section 13 of the Metropolitan Pier and Exposition  
13      Authority Act, plus cumulative deficiencies in the deposits  
14      required under this Section for previous months and years,  
15      shall be deposited into the McCormick Place Expansion Project  
16      Fund, until the full amount requested for the fiscal year, but  
17      not in excess of the amount specified above as "Total Deposit",  
18      has been deposited.

19           Subject to payment of amounts into the Build Illinois Fund  
20      and the McCormick Place Expansion Project Fund pursuant to the  
21      preceding paragraphs or in any amendments thereto hereafter  
22      enacted, beginning July 1, 1993 and ending on September 30,  
23      2013, the Department shall each month pay into the Illinois Tax  
24      Increment Fund 0.27% of 80% of the net revenue realized for the  
25      preceding month from the 6.25% general rate on the selling  
26      price of tangible personal property.

1           Subject to payment of amounts into the Build Illinois Fund  
2 and the McCormick Place Expansion Project Fund pursuant to the  
3 preceding paragraphs or in any amendments thereto hereafter  
4 enacted, beginning with the receipt of the first report of  
5 taxes paid by an eligible business and continuing for a 25-year  
6 period, the Department shall each month pay into the Energy  
7 Infrastructure Fund 80% of the net revenue realized from the  
8 6.25% general rate on the selling price of Illinois-mined coal  
9 that was sold to an eligible business. For purposes of this  
10 paragraph, the term "eligible business" means a new electric  
11 generating facility certified pursuant to Section 605-332 of  
12 the Department of Commerce and Economic Opportunity Law of the  
13 Civil Administrative Code of Illinois.

14           Subject to payment of amounts into the Build Illinois Fund,  
15 the McCormick Place Expansion Project Fund, the Illinois Tax  
16 Increment Fund, and the Energy Infrastructure Fund pursuant to  
17 the preceding paragraphs or in any amendments to this Section  
18 hereafter enacted, beginning on the first day of the first  
19 calendar month to occur on or after August 26, 2014 (the  
20 effective date of Public Act 98-1098) ~~this amendatory Act of~~  
21 ~~the 98th General Assembly~~, each month, from the collections  
22 made under Section 9 of the Use Tax Act, Section 9 of the  
23 Service Use Tax Act, Section 9 of the Service Occupation Tax  
24 Act, and Section 3 of the Retailers' Occupation Tax Act, the  
25 Department shall pay into the Tax Compliance and Administration  
26 Fund, to be used, subject to appropriation, to fund additional

1 auditors and compliance personnel at the Department of Revenue,  
2 an amount equal to 1/12 of 5% of 80% of the cash receipts  
3 collected during the preceding fiscal year by the Audit Bureau  
4 of the Department under the Use Tax Act, the Service Use Tax  
5 Act, the Service Occupation Tax Act, the Retailers' Occupation  
6 Tax Act, and associated local occupation and use taxes  
7 administered by the Department.

8 Of the remainder of the moneys received by the Department  
9 pursuant to this Act, 75% thereof shall be paid into the State  
10 Treasury and 25% shall be reserved in a special account and  
11 used only for the transfer to the Common School Fund as part of  
12 the monthly transfer from the General Revenue Fund in  
13 accordance with Section 8a of the State Finance Act.

14 As soon as possible after the first day of each month, upon  
15 certification of the Department of Revenue, the Comptroller  
16 shall order transferred and the Treasurer shall transfer from  
17 the General Revenue Fund to the Motor Fuel Tax Fund an amount  
18 equal to 1.7% of 80% of the net revenue realized under this Act  
19 for the second preceding month. Beginning April 1, 2000, this  
20 transfer is no longer required and shall not be made.

21 Net revenue realized for a month shall be the revenue  
22 collected by the State pursuant to this Act, less the amount  
23 paid out during that month as refunds to taxpayers for  
24 overpayment of liability.

25 For greater simplicity of administration, manufacturers,  
26 importers and wholesalers whose products are sold at retail in

1 Illinois by numerous retailers, and who wish to do so, may  
2 assume the responsibility for accounting and paying to the  
3 Department all tax accruing under this Act with respect to such  
4 sales, if the retailers who are affected do not make written  
5 objection to the Department to this arrangement.

6 (Source: P.A. 98-24, eff. 6-19-13; 98-109, eff. 7-25-13;  
7 98-496, eff. 1-1-14; 98-756, eff. 7-16-14; 98-1098, eff.  
8 8-26-14; 99-352, eff. 8-12-15; 99-858, eff. 8-19-16; 99-933,  
9 eff. 1-27-17; revised 2-3-17.)

10 (35 ILCS 105/10) (from Ch. 120, par. 439.10)

11 Sec. 10. Except as to motor vehicles, aircraft, watercraft,  
12 and trailers, and except as to cigarettes as defined in the  
13 Cigarette Use Tax Act, when tangible personal property or  
14 (beginning January 1, 2018 a taxable service) is purchased from  
15 a retailer for use in this State by a purchaser who did not pay  
16 the tax imposed by this Act to the retailer, and who does not  
17 file returns with the Department as a retailer under Section 9  
18 of this Act, such purchaser (by the last day of the month  
19 following the calendar month in which such purchaser makes any  
20 payment upon the selling price of such property) shall, except  
21 as otherwise provided in this Section, file a return with the  
22 Department and pay the tax upon that portion of the selling  
23 price so paid by the purchaser during the preceding calendar  
24 month. When tangible personal property, including but not  
25 limited to motor vehicles and aircraft, is purchased by a



1 lessor, under a lease for one year or longer, executed or in  
2 effect at the time of purchase to an interstate carrier for  
3 hire, who did not pay the tax imposed by this Act to the  
4 retailer, such lessor (by the last day of the month following  
5 the calendar month in which such property reverts to the use of  
6 such lessor) shall file a return with the Department and pay  
7 the tax upon the fair market value of such property on the date  
8 of such reversion. However, in determining the fair market  
9 value at the time of reversion, the fair market value of such  
10 property shall not exceed the original purchase price of the  
11 property that was paid by the lessor at the time of purchase.  
12 Such return shall be filed on a form prescribed by the  
13 Department and shall contain such information as the Department  
14 may reasonably require. Such return and payment from the  
15 purchaser shall be submitted to the Department sooner than the  
16 last day of the month after the month in which the purchase is  
17 made to the extent that that may be necessary in order to  
18 secure the title to a motor vehicle or the certificate of  
19 registration for an aircraft. However, except as to motor  
20 vehicles and aircraft, and except as to cigarettes as defined  
21 in the Cigarette Use Tax Act, if the purchaser's annual use tax  
22 liability does not exceed \$600, the purchaser may file the  
23 return on an annual basis on or before April 15th of the year  
24 following the year use tax liability was incurred. Individual  
25 purchasers with an annual use tax liability that does not  
26 exceed \$600 may, in lieu of the filing and payment requirements

1 in this Section, file and pay in compliance with Section 502.1  
2 of the Illinois Income Tax Act.

3 If cigarettes, as defined in the Cigarette Use Tax Act, are  
4 purchased from a retailer for use in this State by a purchaser  
5 who did not pay the tax imposed by this Act to the retailer,  
6 and who does not file returns with the Department as a retailer  
7 under Section 9 of this Act, such purchaser must, within 30  
8 days after acquiring the cigarettes, file a return with the  
9 Department and pay the tax upon that portion of the selling  
10 price so paid by the purchaser for the cigarettes.

11 In addition with respect to motor vehicles, aircraft,  
12 watercraft, and trailers, a purchaser of such tangible personal  
13 property for use in this State, who purchases such tangible  
14 personal property from an out-of-state retailer, shall file  
15 with the Department, upon a form to be prescribed and supplied  
16 by the Department, a return for each such item of tangible  
17 personal property purchased, except that if, in the same  
18 transaction, (i) a purchaser of motor vehicles, aircraft,  
19 watercraft, or trailers who is a retailer of motor vehicles,  
20 aircraft, watercraft, or trailers purchases more than one motor  
21 vehicle, aircraft, watercraft, or trailer for the purpose of  
22 resale or (ii) a purchaser of motor vehicles, aircraft,  
23 watercraft, or trailers purchases more than one motor vehicle,  
24 aircraft, watercraft, or trailer for use as qualifying rolling  
25 stock as provided in Section 3-55 of this Act, then the  
26 purchaser may report the purchase of all motor vehicles,

1 aircraft, watercraft, or trailers involved in that transaction  
2 to the Department on a single return prescribed by the  
3 Department. Such return in the case of motor vehicles and  
4 aircraft must show the name and address of the seller, the  
5 name, address of purchaser, the amount of the selling price  
6 including the amount allowed by the retailer for traded in  
7 property, if any; the amount allowed by the retailer for the  
8 traded-in tangible personal property, if any, to the extent to  
9 which Section 2 of this Act allows an exemption for the value  
10 of traded-in property; the balance payable after deducting such  
11 trade-in allowance from the total selling price; the amount of  
12 tax due from the purchaser with respect to such transaction;  
13 the amount of tax collected from the purchaser by the retailer  
14 on such transaction (or satisfactory evidence that such tax is  
15 not due in that particular instance if that is claimed to be  
16 the fact); the place and date of the sale, a sufficient  
17 identification of the property sold, and such other information  
18 as the Department may reasonably require.

19 Such return shall be filed not later than 30 days after  
20 such motor vehicle or aircraft is brought into this State for  
21 use.

22 For purposes of this Section, "watercraft" means a Class 2,  
23 Class 3, or Class 4 watercraft as defined in Section 3-2 of the  
24 Boat Registration and Safety Act, a personal watercraft, or any  
25 boat equipped with an inboard motor.

26 The return and tax remittance or proof of exemption from

1 the tax that is imposed by this Act may be transmitted to the  
2 Department by way of the State agency with which, or State  
3 officer with whom, the tangible personal property must be  
4 titled or registered (if titling or registration is required)  
5 if the Department and such agency or State officer determine  
6 that this procedure will expedite the processing of  
7 applications for title or registration.

8 With each such return, the purchaser shall remit the proper  
9 amount of tax due (or shall submit satisfactory evidence that  
10 the sale is not taxable if that is the case), to the Department  
11 or its agents, whereupon the Department shall issue, in the  
12 purchaser's name, a tax receipt (or a certificate of exemption  
13 if the Department is satisfied that the particular sale is tax  
14 exempt) which such purchaser may submit to the agency with  
15 which, or State officer with whom, he must title or register  
16 the tangible personal property that is involved (if titling or  
17 registration is required) in support of such purchaser's  
18 application for an Illinois certificate or other evidence of  
19 title or registration to such tangible personal property.

20 When a purchaser pays a tax imposed by this Act directly to  
21 the Department, the Department (upon request therefor from such  
22 purchaser) shall issue an appropriate receipt to such purchaser  
23 showing that he has paid such tax to the Department. Such  
24 receipt shall be sufficient to relieve the purchaser from  
25 further liability for the tax to which such receipt may refer.

26 A user who is liable to pay use tax directly to the

1 Department only occasionally and not on a frequently recurring  
2 basis, and who is not required to file returns with the  
3 Department as a retailer under Section 9 of this Act, or under  
4 the "Retailers' Occupation Tax Act", or as a registrant with  
5 the Department under the "Service Occupation Tax Act" or the  
6 "Service Use Tax Act", need not register with the Department.  
7 However, if such a user has a frequently recurring direct use  
8 tax liability to pay to the Department, such user shall be  
9 required to register with the Department on forms prescribed by  
10 the Department and to obtain and display a certificate of  
11 registration from the Department. In that event, all of the  
12 provisions of Section 9 of this Act concerning the filing of  
13 regular monthly, quarterly or annual tax returns and all of the  
14 provisions of Section 2a of the "Retailers' Occupation Tax Act"  
15 concerning the requirements for registrants to post bond or  
16 other security with the Department, as the provisions of such  
17 sections now exist or may hereafter be amended, shall apply to  
18 such users to the same extent as if such provisions were  
19 included herein.

20 (Source: P.A. 96-520, eff. 8-14-09; 96-1000, eff. 7-2-10;  
21 96-1388, eff. 7-29-10.)

22 (35 ILCS 105/11) (from Ch. 120, par. 439.11)

23 Sec. 11. Every retailer required or authorized to collect  
24 taxes hereunder and every person using in this State tangible  
25 personal property or taxable service purchased at retail from a

1 retailer on or after the effective date hereof shall keep such  
2 records, receipts, invoices and other pertinent books,  
3 documents, memoranda and papers as the Department shall  
4 require, in such form as the Department shall require. The  
5 Department may adopt rules that establish requirements,  
6 including record forms and formats, for records required to be  
7 kept and maintained by taxpayers. For purposes of this Section,  
8 "records" means all data maintained by the taxpayer, including  
9 data on paper, microfilm, microfiche or any type of  
10 machine-sensible data compilation. For the purpose of  
11 administering and enforcing the provisions hereof, the  
12 Department, or any officer or employee of the Department  
13 designated, in writing, by the Director thereof, may hold  
14 investigations and hearings concerning any matters covered  
15 herein and may examine any books, papers, records, documents or  
16 memoranda of any retailer or purchaser bearing upon the sales  
17 or purchases of tangible personal property, the privilege of  
18 using which is taxed hereunder, and may require the attendance  
19 of such person or any officer or employee of such person, or of  
20 any person having knowledge of the facts, and may take  
21 testimony and require proof for its information.

22 (Source: P.A. 88-480.)

23 Section 30-25. The Service Use Tax Act is amended by  
24 changing Sections 2 and 3-5 as follows:

1 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

2 Sec. 2. Definitions.

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

16 "Purchased from a serviceman" means the acquisition of the  
17 ownership of, or title to, tangible personal property through a  
18 sale of service.

19 "Purchaser" means any person who, through a sale of  
20 service, acquires the ownership of, or title to, any tangible  
21 personal property.

22 "Cost price" means the consideration paid by the serviceman  
23 for a purchase valued in money, whether paid in money or  
24 otherwise, including cash, credits and services, and shall be  
25 determined without any deduction on account of the supplier's  
26 cost of the property sold or on account of any other expense

1 incurred by the supplier. When a serviceman contracts out part  
2 or all of the services required in his sale of service, it  
3 shall be presumed that the cost price to the serviceman of the  
4 property transferred to him or her by his or her subcontractor  
5 is equal to 50% of the subcontractor's charges to the  
6 serviceman in the absence of proof of the consideration paid by  
7 the subcontractor for the purchase of such property.

8 "Selling price" means the consideration for a sale valued  
9 in money whether received in money or otherwise, including  
10 cash, credits and service, and shall be determined without any  
11 deduction on account of the serviceman's cost of the property  
12 sold, the cost of materials used, labor or service cost or any  
13 other expense whatsoever, but does not include interest or  
14 finance charges which appear as separate items on the bill of  
15 sale or sales contract nor charges that are added to prices by  
16 sellers on account of the seller's duty to collect, from the  
17 purchaser, the tax that is imposed by this Act.

18 "Department" means the Department of Revenue.

19 "Person" means any natural individual, firm, partnership,  
20 association, joint stock company, joint venture, public or  
21 private corporation, limited liability company, and any  
22 receiver, executor, trustee, guardian or other representative  
23 appointed by order of any court.

24 "Sale of service" means any transaction except:

25 (1) a retail sale of tangible personal property taxable  
26 under the Retailers' Occupation Tax Act or under the Use



1 Tax Act.

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

5 (3) except as hereinafter provided, a sale or transfer  
6 of tangible personal property as an incident to the  
7 rendering of service for or by any governmental body, or  
8 for or by any corporation, society, association,  
9 foundation or institution organized and operated  
10 exclusively for charitable, religious or educational  
11 purposes or any not-for-profit corporation, society,  
12 association, foundation, institution or organization which  
13 has no compensated officers or employees and which is  
14 organized and operated primarily for the recreation of  
15 persons 55 years of age or older. A limited liability  
16 company may qualify for the exemption under this paragraph  
17 only if the limited liability company is organized and  
18 operated exclusively for educational purposes.

19 (4) a sale or transfer of tangible personal property as  
20 an incident to the rendering of service for interstate  
21 carriers for hire for use as rolling stock moving in  
22 interstate commerce or by lessors under a lease of one year  
23 or longer, executed or in effect at the time of purchase of  
24 personal property, to interstate carriers for hire for use  
25 as rolling stock moving in interstate commerce so long as  
26 so used by such interstate carriers for hire, and equipment

1 operated by a telecommunications provider, licensed as a  
2 common carrier by the Federal Communications Commission,  
3 which is permanently installed in or affixed to aircraft  
4 moving in interstate commerce.

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

15 (4a-5) on and after July 1, 2003 and through June 30,  
16 2004, a sale or transfer of a motor vehicle of the second  
17 division with a gross vehicle weight in excess of 8,000  
18 pounds as an incident to the rendering of service if that  
19 motor vehicle is subject to the commercial distribution fee  
20 imposed under Section 3-815.1 of the Illinois Vehicle Code.  
21 Beginning on July 1, 2004 and through June 30, 2005, the  
22 use in this State of motor vehicles of the second division:  
23 (i) with a gross vehicle weight rating in excess of 8,000  
24 pounds; (ii) that are subject to the commercial  
25 distribution fee imposed under Section 3-815.1 of the  
26 Illinois Vehicle Code; and (iii) that are primarily used

1 for commercial purposes. Through June 30, 2005, this  
2 exemption applies to repair and replacement parts added  
3 after the initial purchase of such a motor vehicle if that  
4 motor vehicle is used in a manner that would qualify for  
5 the rolling stock exemption otherwise provided for in this  
6 Act. For purposes of this paragraph, "used for commercial  
7 purposes" means the transportation of persons or property  
8 in furtherance of any commercial or industrial enterprise  
9 whether for-hire or not.

10 (5) a sale or transfer of machinery and equipment used  
11 primarily in the process of the manufacturing or  
12 assembling, either in an existing, an expanded or a new  
13 manufacturing facility, of tangible personal property for  
14 wholesale or retail sale or lease, whether such sale or  
15 lease is made directly by the manufacturer or by some other  
16 person, whether the materials used in the process are owned  
17 by the manufacturer or some other person, or whether such  
18 sale or lease is made apart from or as an incident to the  
19 seller's engaging in a service occupation and the  
20 applicable tax is a Service Use Tax or Service Occupation  
21 Tax, rather than Use Tax or Retailers' Occupation Tax. The  
22 exemption provided by this paragraph (5) does not include  
23 machinery and equipment used in (i) the generation of  
24 electricity for wholesale or retail sale; (ii) the  
25 generation or treatment of natural or artificial gas for  
26 wholesale or retail sale that is delivered to customers

1 through pipes, pipelines, or mains; or (iii) the treatment  
2 of water for wholesale or retail sale that is delivered to  
3 customers through pipes, pipelines, or mains. The  
4 provisions of this amendatory Act of the 98th General  
5 Assembly are declaratory of existing law as to the meaning  
6 and scope of this exemption. The exemption under this  
7 paragraph (5) is exempt from the provisions of Section  
8 3-75.

9 (5a) the repairing, reconditioning or remodeling, for  
10 a common carrier by rail, of tangible personal property  
11 which belongs to such carrier for hire, and as to which  
12 such carrier receives the physical possession of the  
13 repaired, reconditioned or remodeled item of tangible  
14 personal property in Illinois, and which such carrier  
15 transports, or shares with another common carrier in the  
16 transportation of such property, out of Illinois on a  
17 standard uniform bill of lading showing the person who  
18 repaired, reconditioned or remodeled the property to a  
19 destination outside Illinois, for use outside Illinois.

20 (5b) a sale or transfer of tangible personal property  
21 which is produced by the seller thereof on special order in  
22 such a way as to have made the applicable tax the Service  
23 Occupation Tax or the Service Use Tax, rather than the  
24 Retailers' Occupation Tax or the Use Tax, for an interstate  
25 carrier by rail which receives the physical possession of  
26 such property in Illinois, and which transports such

1 property, or shares with another common carrier in the  
2 transportation of such property, out of Illinois on a  
3 standard uniform bill of lading showing the seller of the  
4 property as the shipper or consignor of such property to a  
5 destination outside Illinois, for use outside Illinois.

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

14 (7) at the election of any serviceman not required to  
15 be otherwise registered as a retailer under Section 2a of  
16 the Retailers' Occupation Tax Act, made for each fiscal  
17 year sales of service in which the aggregate annual cost  
18 price of tangible personal property transferred as an  
19 incident to the sales of service is less than 35%, or 75%  
20 in the case of servicemen transferring prescription drugs  
21 or servicemen engaged in graphic arts production, of the  
22 aggregate annual total gross receipts from all sales of  
23 service. The purchase of such tangible personal property by  
24 the serviceman shall be subject to tax under the Retailers'  
25 Occupation Tax Act and the Use Tax Act. However, if a  
26 primary serviceman who has made the election described in

1           this paragraph subcontracts service work to a secondary  
2           serviceman who has also made the election described in this  
3           paragraph, the primary serviceman does not incur a Use Tax  
4           liability if the secondary serviceman (i) has paid or will  
5           pay Use Tax on his or her cost price of any tangible  
6           personal property transferred to the primary serviceman  
7           and (ii) certifies that fact in writing to the primary  
8           serviceman.

9           Tangible personal property transferred incident to the  
10          completion of a maintenance agreement is exempt from the tax  
11          imposed pursuant to this Act.

12          Exemption (5) also includes machinery and equipment used in  
13          the general maintenance or repair of such exempt machinery and  
14          equipment or for in-house manufacture of exempt machinery and  
15          equipment. On and after July 1, 2017, exemption (5) also  
16          includes production related tangible personal property, as  
17          defined in Section 3-50 of the Use Tax Act. On and after July  
18          1, 2017, exemption (5) also includes graphic arts machinery and  
19          equipment, as defined in paragraph (5) of Section 3-5. The  
20          machinery and equipment exemption does not include machinery  
21          and equipment used in (i) the generation of electricity for  
22          wholesale or retail sale; (ii) the generation or treatment of  
23          natural or artificial gas for wholesale or retail sale that is  
24          delivered to customers through pipes, pipelines, or mains; or  
25          (iii) the treatment of water for wholesale or retail sale that  
26          is delivered to customers through pipes, pipelines, or mains.

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

1 existing materials in a manner commonly regarded as assembling  
2 which results in a material of a different form, use or name;  
3 (3) "machinery" shall mean major mechanical machines or major  
4 components of such machines contributing to a manufacturing or  
5 assembling process; and (4) "equipment" shall include any  
6 independent device or tool separate from any machinery but  
7 essential to an integrated manufacturing or assembly process;  
8 including computers used primarily in a manufacturer's  
9 computer assisted design, computer assisted manufacturing  
10 (CAD/CAM) system; or any subunit or assembly comprising a  
11 component of any machinery or auxiliary, adjunct or attachment  
12 parts of machinery, such as tools, dies, jigs, fixtures,  
13 patterns and molds; or any parts which require periodic  
14 replacement in the course of normal operation; but shall not  
15 include hand tools. Equipment includes chemicals or chemicals  
16 acting as catalysts but only if the chemicals or chemicals  
17 acting as catalysts effect a direct and immediate change upon a  
18 product being manufactured or assembled for wholesale or retail  
19 sale or lease. The purchaser of such machinery and equipment  
20 who has an active resale registration number shall furnish such  
21 number to the seller at the time of purchase. The user of such  
22 machinery and equipment and tools without an active resale  
23 registration number shall prepare a certificate of exemption  
24 for each transaction stating facts establishing the exemption  
25 for that transaction, which certificate shall be available to  
26 the Department for inspection or audit. The Department shall



1 prescribe the form of the certificate.

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

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

19 The purchase, employment and transfer of such tangible  
20 personal property as newsprint and ink for the primary purpose  
21 of conveying news (with or without other information) is not a  
22 purchase, use or sale of service or of tangible personal  
23 property within the meaning of this Act.

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

26 "Sale at retail" means "sale at retail" as defined in the

1 Retailers' Occupation Tax Act.

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

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

7 1. having or maintaining within this State, directly or  
8 by a subsidiary, an office, distribution house, sales  
9 house, warehouse or other place of business, or any agent  
10 or other representative operating within this State under  
11 the authority of the serviceman or its subsidiary,  
12 irrespective of whether such place of business or agent or  
13 other representative is located here permanently or  
14 temporarily, or whether such serviceman or subsidiary is  
15 licensed to do business in this State;

16 1.1. having a contract with a person located in this  
17 State under which the person, for a commission or other  
18 consideration based on the sale of service by the  
19 serviceman, directly or indirectly refers potential  
20 customers to the serviceman by providing to the potential  
21 customers a promotional code or other mechanism that allows  
22 the serviceman to track purchases referred by such persons.  
23 Examples of mechanisms that allow the serviceman to track  
24 purchases referred by such persons include but are not  
25 limited to the use of a link on the person's Internet  
26 website, promotional codes distributed through the

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

17 1.2. beginning July 1, 2011, having a contract with a  
18 person located in this State under which:

19 A. the serviceman sells the same or substantially  
20 similar line of services as the person located in this  
21 State and does so using an identical or substantially  
22 similar name, trade name, or trademark as the person  
23 located in this State; and

24 B. the serviceman provides a commission or other  
25 consideration to the person located in this State based  
26 upon the sale of services by the serviceman.

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

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

12 3. pursuant to a contract with a broadcaster or  
13 publisher located in this State, soliciting orders for  
14 tangible personal property by means of advertising which is  
15 disseminated primarily to consumers located in this State  
16 and only secondarily to bordering jurisdictions;

17 4. soliciting orders for tangible personal property by  
18 mail if the solicitations are substantial and recurring and  
19 if the retailer benefits from any banking, financing, debt  
20 collection, telecommunication, or marketing activities  
21 occurring in this State or benefits from the location in  
22 this State of authorized installation, servicing, or  
23 repair facilities;

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

1           6. having a franchisee or licensee operating under its  
2 trade name if the franchisee or licensee is required to  
3 collect the tax under this Section;

4           7. pursuant to a contract with a cable television  
5 operator located in this State, soliciting orders for  
6 tangible personal property by means of advertising which is  
7 transmitted or distributed over a cable television system  
8 in this State; or

9           8. engaging in activities in Illinois, which  
10 activities in the state in which the supply business  
11 engaging in such activities is located would constitute  
12 maintaining a place of business in that state.

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

14 (35 ILCS 110/3-5)

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

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

24 (2) Personal property purchased by a non-profit Illinois  
25 county fair association for use in conducting, operating, or

1 promoting the county fair.

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

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

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

1 chemicals or chemicals acting as catalysts but only if the  
2 chemicals or chemicals acting as catalysts effect a direct and  
3 immediate change upon a graphic arts product. Beginning on July  
4 1, 2017, graphic arts machinery and equipment is included in  
5 the manufacturing and assembling machinery and equipment  
6 exemption under Section 2 of this Act.

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

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

1 vehicle required to be licensed if the selling price of the  
2 tender is separately stated.

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

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

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

26 Beginning July 1, 2013, fuel and petroleum products sold to



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

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

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

1 required to be registered under the Illinois Vehicle Code.

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

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

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

21 (14) Horses, or interests in horses, registered with and  
22 meeting the requirements of any of the Arabian Horse Club  
23 Registry of America, Appaloosa Horse Club, American Quarter  
24 Horse Association, United States Trotting Association, or  
25 Jockey Club, as appropriate, used for purposes of breeding or  
26 racing for prizes. This item (14) is exempt from the provisions

1 of Section 3-75, and the exemption provided for under this item  
2 (14) applies for all periods beginning May 30, 1995, but no  
3 claim for credit or refund is allowed on or after the effective  
4 date of this amendatory Act of the 95th General Assembly for  
5 such taxes paid during the period beginning May 30, 2000 and  
6 ending on the effective date of this amendatory Act of the 95th  
7 General Assembly.

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

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

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

24 (17) 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 donated for

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

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

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

24 (20) A motor vehicle, as that term is defined in Section  
25 1-146 of the Illinois Vehicle Code, that is donated to a  
26 corporation, limited liability company, society, association,

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

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

1 purpose of resale by the fundraising entity and that profits  
2 from the sale to the fundraising entity. This paragraph is  
3 exempt from the provisions of Section 3-75.

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

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

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

25           (25) Beginning on the effective date of this amendatory Act  
26 of the 92nd General Assembly, personal property purchased by a



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

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

1 exempt from the provisions of Section 3-75.

2 (27) Beginning January 1, 2010, materials, parts,  
3 equipment, components, and furnishings incorporated into or  
4 upon an aircraft as part of the modification, refurbishment,  
5 completion, replacement, repair, or maintenance of the  
6 aircraft. This exemption includes consumable supplies used in  
7 the modification, refurbishment, completion, replacement,  
8 repair, and maintenance of aircraft, but excludes any  
9 materials, parts, equipment, components, and consumable  
10 supplies used in the modification, replacement, repair, and  
11 maintenance of aircraft engines or power plants, whether such  
12 engines or power plants are installed or uninstalled upon any  
13 such aircraft. "Consumable supplies" include, but are not  
14 limited to, adhesive, tape, sandpaper, general purpose  
15 lubricants, cleaning solution, latex gloves, and protective  
16 films. This exemption applies only to the use of qualifying  
17 tangible personal property transferred incident to the  
18 modification, refurbishment, completion, replacement, repair,  
19 or maintenance of aircraft by persons who (i) hold an Air  
20 Agency Certificate and are empowered to operate an approved  
21 repair station by the Federal Aviation Administration, (ii)  
22 have a Class IV Rating, and (iii) conduct operations in  
23 accordance with Part 145 of the Federal Aviation Regulations.  
24 The exemption does not include aircraft operated by a  
25 commercial air carrier providing scheduled passenger air  
26 service pursuant to authority issued under Part 121 or Part 129

1 of the Federal Aviation Regulations. The changes made to this  
2 paragraph (27) by Public Act 98-534 are declarative of existing  
3 law.

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

18 (29) Beginning January 1, 2017, menstrual pads, tampons,  
19 and menstrual cups.

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

23 Section 30-30. The Service Occupation Tax Act is amended by  
24 changing Sections 2 and 3-5 as follows:

1 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

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

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

18 "Department" means the Department of Revenue.

19 "Person" means any natural individual, firm, partnership,  
20 association, joint stock company, joint venture, public or  
21 private corporation, limited liability company, and any  
22 receiver, executor, trustee, guardian or other representative  
23 appointed by order of any court.

24 "Sale of Service" means any transaction except:

25 (a) A retail sale of tangible personal property taxable  
26 under the Retailers' Occupation Tax Act or under the Use Tax

1 Act.

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

5 (c) Except as hereinafter provided, a sale or transfer of  
6 tangible personal property as an incident to the rendering of  
7 service for or by any governmental body or for or by any  
8 corporation, society, association, foundation or institution  
9 organized and operated exclusively for charitable, religious  
10 or educational purposes or any not-for-profit corporation,  
11 society, association, foundation, institution or organization  
12 which has no compensated officers or employees and which is  
13 organized and operated primarily for the recreation of persons  
14 55 years of age or older. A limited liability company may  
15 qualify for the exemption under this paragraph only if the  
16 limited liability company is organized and operated  
17 exclusively for educational purposes.

18 (d) A sale or transfer of tangible personal property as an  
19 incident to the rendering of service for interstate carriers  
20 for hire for use as rolling stock moving in interstate commerce  
21 or lessors under leases of one year or longer, executed or in  
22 effect at the time of purchase, to interstate carriers for hire  
23 for use as rolling stock moving in interstate commerce, and  
24 equipment operated by a telecommunications provider, licensed  
25 as a common carrier by the Federal Communications Commission,  
26 which is permanently installed in or affixed to aircraft moving

1 in interstate commerce.

2 (d-1) A sale or transfer of tangible personal property as  
3 an incident to the rendering of service for owners, lessors or  
4 shippers of tangible personal property which is utilized by  
5 interstate 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 (d-1.1) On and after July 1, 2003 and through June 30,  
12 2004, a sale or transfer of a motor vehicle of the second  
13 division with a gross vehicle weight in excess of 8,000 pounds  
14 as an incident to the rendering of service if that motor  
15 vehicle is subject to the commercial distribution fee imposed  
16 under Section 3-815.1 of the Illinois Vehicle Code. Beginning  
17 on July 1, 2004 and through June 30, 2005, the use in this  
18 State of motor vehicles of the second division: (i) with a  
19 gross vehicle weight rating in excess of 8,000 pounds; (ii)  
20 that are subject to the commercial distribution fee imposed  
21 under Section 3-815.1 of the Illinois Vehicle Code; and (iii)  
22 that are primarily used for commercial purposes. Through June  
23 30, 2005, this exemption applies to repair and replacement  
24 parts added after the initial purchase of such a motor vehicle  
25 if that motor vehicle is used in a manner that would qualify  
26 for the rolling stock exemption otherwise provided for in this

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

5 (d-2) The repairing, reconditioning or remodeling, for a  
6 common carrier by rail, of tangible personal property which  
7 belongs to such carrier for hire, and as to which such carrier  
8 receives the physical possession of the repaired,  
9 reconditioned or remodeled item of tangible personal property  
10 in Illinois, and which such carrier transports, or shares with  
11 another common carrier in the transportation of such property,  
12 out of Illinois on a standard uniform bill of lading showing  
13 the person who repaired, reconditioned or remodeled the  
14 property as the shipper or consignor of such property to a  
15 destination outside Illinois, for use outside Illinois.

16 (d-3) A sale or transfer of tangible personal property  
17 which is produced by the seller thereof on special order in  
18 such a way as to have made the applicable tax the Service  
19 Occupation Tax or the Service Use Tax, rather than the  
20 Retailers' Occupation Tax or the Use Tax, for an interstate  
21 carrier by rail which receives the physical possession of such  
22 property in Illinois, and which transports such property, or  
23 shares with another common carrier in the transportation of  
24 such property, out of Illinois on a standard uniform bill of  
25 lading showing the seller of the property as the shipper or  
26 consignor of such property to a destination outside Illinois,

1 for use outside Illinois.

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

9 (e) A sale or transfer of machinery and equipment used  
10 primarily in the process of the manufacturing or assembling,  
11 either in an existing, an expanded or a new manufacturing  
12 facility, of tangible personal property for wholesale or retail  
13 sale or lease, whether such sale or lease is made directly by  
14 the manufacturer or by some other person, whether the materials  
15 used in the process are owned by the manufacturer or some other  
16 person, or whether such sale or lease is made apart from or as  
17 an incident to the seller's engaging in a service occupation  
18 and the applicable tax is a Service Occupation Tax or Service  
19 Use Tax, rather than Retailers' Occupation Tax or Use Tax. The  
20 exemption provided by this paragraph (e) does not include  
21 machinery and equipment used in (i) the generation of  
22 electricity for wholesale or retail sale; (ii) the generation  
23 or treatment of natural or artificial gas for wholesale or  
24 retail sale that is delivered to customers through pipes,  
25 pipelines, or mains; or (iii) the treatment of water for  
26 wholesale or retail sale that is delivered to customers through



1 pipes, pipelines, or mains. The provisions of this amendatory  
2 Act of the 98th General Assembly are declaratory of existing  
3 law as to the meaning and scope of this exemption. The  
4 exemption under this subsection (e) is exempt from the  
5 provisions of Section 3-75.

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

13 (g) At the election of any serviceman not required to be  
14 otherwise registered as a retailer under Section 2a of the  
15 Retailers' Occupation Tax Act, made for each fiscal year sales  
16 of service in which the aggregate annual cost price of tangible  
17 personal property transferred as an incident to the sales of  
18 service is less than 35% (75% in the case of servicemen  
19 transferring prescription drugs or servicemen engaged in  
20 graphic arts production) of the aggregate annual total gross  
21 receipts from all sales of service. The purchase of such  
22 tangible personal property by the serviceman shall be subject  
23 to tax under the Retailers' Occupation Tax Act and the Use Tax  
24 Act. However, if a primary serviceman who has made the election  
25 described in this paragraph subcontracts service work to a  
26 secondary serviceman who has also made the election described

1 in this paragraph, the primary serviceman does not incur a Use  
2 Tax liability if the secondary serviceman (i) has paid or will  
3 pay Use Tax on his or her cost price of any tangible personal  
4 property transferred to the primary serviceman and (ii)  
5 certifies that fact in writing to the primary serviceman.

6 Tangible personal property transferred incident to the  
7 completion of a maintenance agreement is exempt from the tax  
8 imposed pursuant to this Act.

9 Exemption (e) also includes machinery and equipment used in  
10 the general maintenance or repair of such exempt machinery and  
11 equipment or for in-house manufacture of exempt machinery and  
12 equipment. On and after July 1, 2017, exemption (e) also  
13 includes production related tangible personal property, as  
14 defined in Section 2-45 of the Retailers' Occupation Tax Act.  
15 On and after July 1, 2017, exemption (e) also includes graphic  
16 arts machinery and equipment, as defined in paragraph (5) of  
17 Section 3-5. The machinery and equipment exemption does not  
18 include machinery and equipment used in (i) the generation of  
19 electricity for wholesale or retail sale; (ii) the generation  
20 or treatment of natural or artificial gas for wholesale or  
21 retail sale that is delivered to customers through pipes,  
22 pipelines, or mains; or (iii) the treatment of water for  
23 wholesale or retail sale that is delivered to customers through  
24 pipes, pipelines, or mains. The provisions of this amendatory  
25 Act of the 98th General Assembly are declaratory of existing  
26 law as to the meaning and scope of this exemption. For the

1 purposes of exemption (e), each of these terms shall have the  
2 following meanings: (1) "manufacturing process" shall mean the  
3 production of any article of tangible personal property,  
4 whether such article is a finished product or an article for  
5 use in the process of manufacturing or assembling a different  
6 article of tangible personal property, by procedures commonly  
7 regarded as manufacturing, processing, fabricating, or  
8 refining which changes some existing material or materials into  
9 a material with a different form, use or name. In relation to a  
10 recognized integrated business composed of a series of  
11 operations which collectively constitute manufacturing, or  
12 individually constitute manufacturing operations, the  
13 manufacturing process shall be deemed to commence with the  
14 first operation or stage of production in the series, and shall  
15 not be deemed to end until the completion of the final product  
16 in the last operation or stage of production in the series; and  
17 further for purposes of exemption (e), photoprocessing is  
18 deemed to be a manufacturing process of tangible personal  
19 property for wholesale or retail sale; (2) "assembling process"  
20 shall mean the production of any article of tangible personal  
21 property, whether such article is a finished product or an  
22 article for use in the process of manufacturing or assembling a  
23 different article of tangible personal property, by the  
24 combination of existing materials in a manner commonly regarded  
25 as assembling which results in a material of a different form,  
26 use or name; (3) "machinery" shall mean major mechanical

1 machines or major components of such machines contributing to a  
2 manufacturing or assembling process; and (4) "equipment" shall  
3 include any independent device or tool separate from any  
4 machinery but essential to an integrated manufacturing or  
5 assembly process; including computers used primarily in a  
6 manufacturer's computer assisted design, computer assisted  
7 manufacturing (CAD/CAM) system; or any subunit or assembly  
8 comprising a component of any machinery or auxiliary, adjunct  
9 or attachment parts of machinery, such as tools, dies, jigs,  
10 fixtures, patterns and molds; or any parts which require  
11 periodic replacement in the course of normal operation; but  
12 shall not include hand tools. Equipment includes chemicals or  
13 chemicals acting as catalysts but only if the chemicals or  
14 chemicals acting as catalysts effect a direct and immediate  
15 change upon a product being manufactured or assembled for  
16 wholesale or retail sale or lease. The purchaser of such  
17 machinery and equipment who has an active resale registration  
18 number shall furnish such number to the seller at the time of  
19 purchase. The purchaser of such machinery and equipment and  
20 tools without an active resale registration number shall  
21 furnish to the seller a certificate of exemption for each  
22 transaction stating facts establishing the exemption for that  
23 transaction, which certificate shall be available to the  
24 Department for inspection or audit.

25 Except as provided in Section 2d of this Act, the rolling  
26 stock exemption applies to rolling stock used by an interstate

1 carrier for hire, even just between points in Illinois, if such  
2 rolling stock transports, for hire, persons whose journeys or  
3 property whose shipments originate or terminate outside  
4 Illinois.

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

18 On and after July 1, 1987, no entity otherwise eligible  
19 under exemption (c) of this Section shall make tax free  
20 purchases unless it has an active exemption identification  
21 number issued by the Department.

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

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

26 "Supplier" means any person who makes sales of tangible

1 personal property to servicemen for the purpose of resale as an  
2 incident to a sale of service.

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

4 (35 ILCS 115/3-5)

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

7 (1) 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 benefit  
11 of persons 65 years of age or older if the personal property  
12 was not purchased by the enterprise for the purpose of resale  
13 by the enterprise.

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

17 (3) Personal property purchased by any not-for-profit arts  
18 or 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

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

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

11 (5) Until July 1, 2003 and beginning again on September 1,  
12 2004 through August 30, 2014, graphic arts machinery and  
13 equipment, including repair and replacement parts, both new and  
14 used, and including that manufactured on special order or  
15 purchased for lease, certified by the purchaser to be used  
16 primarily for graphic arts production. Equipment includes  
17 chemicals or chemicals acting as catalysts but only if the  
18 chemicals or chemicals acting as catalysts effect a direct and  
19 immediate change upon a graphic arts product. Beginning on July  
20 1, 2017, graphic arts machinery and equipment is included in  
21 the manufacturing and assembling machinery and equipment  
22 exemption under Section 2 of this Act.

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

26 (7) Farm machinery and equipment, both new and used,

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

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



1 Farm machinery and equipment also includes computers,  
2 sensors, software, and related equipment used primarily in the  
3 computer-assisted operation of production agriculture  
4 facilities, equipment, and activities such as, but not limited  
5 to, the collection, monitoring, and correlation of animal and  
6 crop data for the purpose of formulating animal diets and  
7 agricultural chemicals. This item (7) is exempt from the  
8 provisions of Section 3-55.

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

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

26 (9) Proceeds of mandatory service charges separately

1 stated on customers' bills for the purchase and consumption of  
2 food and beverages, to the extent that the proceeds of the  
3 service charge are in fact turned over as tips or as a  
4 substitute for tips to the employees who participate directly  
5 in preparing, serving, hosting or cleaning up the food or  
6 beverage function with respect to which the service charge is  
7 imposed.

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

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

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

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

7 (13) Beginning January 1, 1992 and through June 30, 2016,  
8 food for human consumption that is to be consumed off the  
9 premises where it is sold (other than alcoholic beverages, soft  
10 drinks and food that has been prepared for immediate  
11 consumption) and prescription and non-prescription medicines,  
12 drugs, medical appliances, and insulin, urine testing  
13 materials, syringes, and needles used by diabetics, for human  
14 use, when purchased for use by a person receiving medical  
15 assistance under Article V of the Illinois Public Aid Code who  
16 resides in a licensed long-term care facility, as defined in  
17 the Nursing Home Care Act, or in a licensed facility as defined  
18 in the ID/DD Community Care Act, the MC/DD Act, or the  
19 Specialized Mental Health Rehabilitation Act of 2013.

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

22 (15) Horses, or interests in horses, registered with and  
23 meeting the requirements of any of the Arabian Horse Club  
24 Registry of America, Appaloosa Horse Club, American Quarter  
25 Horse Association, United States Trotting Association, or  
26 Jockey Club, as appropriate, used for purposes of breeding or

1 racing for prizes. This item (15) is exempt from the provisions  
2 of Section 3-55, and the exemption provided for under this item  
3 (15) applies for all periods beginning May 30, 1995, but no  
4 claim for credit or refund is allowed on or after January 1,  
5 2008 (the effective date of Public Act 95-88) for such taxes  
6 paid during the period beginning May 30, 2000 and ending on  
7 January 1, 2008 (the effective date of Public Act 95-88).

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 the  
15 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 that  
19 has been issued an active tax exemption identification number  
20 by the Department under Section 1g of the Retailers' Occupation  
21 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 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 (19) 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 (20) 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 3-55.

22 (21) 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 (22) 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 3-55.

2 (23) 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 3-55.

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

22 (25) Beginning on the effective date of this amendatory Act  
23 of the 92nd General Assembly, personal property sold to a  
24 lessor who leases the property, under a lease of one year or  
25 longer executed or in effect at the time of the purchase, to a  
26 governmental body that has been issued an active tax exemption

1 identification number by the Department under Section 1g of the  
2 Retailers' Occupation Tax Act. This paragraph is exempt from  
3 the provisions of Section 3-55.

4 (26) Beginning on January 1, 2002 and through June 30,  
5 2016, tangible personal property purchased from an Illinois  
6 retailer by a taxpayer engaged in centralized purchasing  
7 activities in Illinois who will, upon receipt of the property  
8 in Illinois, temporarily store the property in Illinois (i) for  
9 the purpose of subsequently transporting it outside this State  
10 for use or consumption thereafter solely outside this State or  
11 (ii) for the purpose of being processed, fabricated, or  
12 manufactured into, attached to, or incorporated into other  
13 tangible personal property to be transported outside this State  
14 and thereafter used or consumed solely outside this State. The  
15 Director of Revenue shall, pursuant to rules adopted in  
16 accordance with the Illinois Administrative Procedure Act,  
17 issue a permit to any taxpayer in good standing with the  
18 Department who is eligible for the exemption under this  
19 paragraph (26). The permit issued under this paragraph (26)  
20 shall authorize the holder, to the extent and in the manner  
21 specified in the rules adopted under this Act, to purchase  
22 tangible personal property from a retailer exempt from the  
23 taxes imposed by this Act. Taxpayers shall maintain all  
24 necessary books and records to substantiate the use and  
25 consumption of all such tangible personal property outside of  
26 the State of Illinois.



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

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

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

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

24 (30) Beginning January 1, 2017, menstrual pads, tampons,  
25 and menstrual cups.

26 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;

1 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.  
2 7-16-14; 99-180, eff. 7-29-15; 99-855, eff. 8-19-16.)

3 Section 30-35. The Retailers' Occupation Tax Act is amended  
4 by changing Sections 1, 2, 2-5, 2-10, 2-10.5, 2-12, 2-45, 2-55,  
5 2a, 2b, 2c, 3, 7, and 13 and by adding Section 1b as follows:

6 (35 ILCS 120/1) (from Ch. 120, par. 440)

7 Sec. 1. Definitions. "Sale at retail" means any transfer of  
8 the ownership of or title to tangible personal property to a  
9 purchaser or the performance of a taxable service for a  
10 purchaser, for the purpose of use or consumption, and not for  
11 the purpose of resale in any form as tangible personal property  
12 or taxable service to the extent not first subjected to a use  
13 for which it was purchased, for a valuable consideration:  
14 Provided that the property or service purchased is deemed to be  
15 purchased for the purpose of resale, despite first being used,  
16 to the extent to which it is resold as an ingredient of an  
17 intentionally produced product or byproduct of manufacturing  
18 or otherwise transferred to the purchaser of tangible personal  
19 property or taxable service. For this purpose, slag produced as  
20 an incident to manufacturing pig iron or steel and sold is  
21 considered to be an intentionally produced byproduct of  
22 manufacturing. Transactions whereby the possession of the  
23 property is transferred but the seller retains the title as  
24 security for payment of the selling price shall be deemed to be

1 sales.

2 "Sale at retail" shall be construed to include any transfer  
3 of the ownership of or title to tangible personal property to a  
4 purchaser or the performance of a taxable service for a  
5 purchaser, for use or consumption by any other person to whom  
6 such purchaser may transfer the tangible personal property or  
7 taxable service without a valuable consideration, and to  
8 include any transfer, whether made for or without a valuable  
9 consideration, for resale in any form as tangible personal  
10 property or taxable service unless made in compliance with  
11 Section 2c of this Act.

12 Sales of tangible personal property, which property, to the  
13 extent not first subjected to a use for which it was purchased,  
14 as an ingredient or constituent, goes into and forms a part of  
15 tangible personal property subsequently the subject of a "Sale  
16 at retail", or transferred to a purchaser of a taxable service  
17 that is a "sale at retail" are not sales at retail as defined  
18 in this Act: Provided that the property purchased is deemed to  
19 be purchased for the purpose of resale, despite first being  
20 used, to the extent to which it is resold as an ingredient of  
21 an intentionally produced product or byproduct of  
22 manufacturing.

23 "Sale at retail" shall be construed to include any Illinois  
24 florist's sales transaction in which the purchase order is  
25 received in Illinois by a florist and the sale is for use or  
26 consumption, but the Illinois florist has a florist in another

1 state deliver the property to the purchaser or the purchaser's  
2 donee in such other state.

3 Nonreusable tangible personal property that is used by  
4 persons engaged in the business of operating a restaurant,  
5 cafeteria, or drive-in is a sale for resale when it is  
6 transferred to customers in the ordinary course of business as  
7 part of the sale of food or beverages and is used to deliver,  
8 package, or consume food or beverages, regardless of where  
9 consumption of the food or beverages occurs. Examples of those  
10 items include, but are not limited to nonreusable, paper and  
11 plastic cups, plates, baskets, boxes, sleeves, buckets or other  
12 containers, utensils, straws, placemats, napkins, doggie bags,  
13 and wrapping or packaging materials that are transferred to  
14 customers as part of the sale of food or beverages in the  
15 ordinary course of business.

16 The purchase, employment and transfer of such tangible  
17 personal property as newsprint and ink for the primary purpose  
18 of conveying news (with or without other information) is not a  
19 purchase, use or sale of tangible personal property.

20 A person whose activities are organized and conducted  
21 primarily as a not-for-profit service enterprise, and who  
22 engages in selling tangible personal property or taxable  
23 service at retail (whether to the public or merely to members  
24 and their guests) is engaged in the business of selling  
25 tangible personal property or taxable service at retail with  
26 respect to such transactions, excepting only a person organized

1 and operated exclusively for charitable, religious or  
2 educational purposes either (1), to the extent of sales by such  
3 person to its members, students, patients or inmates of  
4 tangible personal property or taxable service to be used  
5 primarily for the purposes of such person, or (2), to the  
6 extent of sales by such person of tangible personal property or  
7 taxable service which is not sold or offered for sale by  
8 persons organized for profit. The selling of school books and  
9 school supplies by schools at retail to students is not  
10 "primarily for the purposes of" the school which does such  
11 selling. The provisions of this paragraph shall not apply to  
12 nor subject to taxation occasional dinners, socials or similar  
13 activities of a person organized and operated exclusively for  
14 charitable, religious or educational purposes, whether or not  
15 such activities are open to the public.

16 A person who is the recipient of a grant or contract under  
17 Title VII of the Older Americans Act of 1965 (P.L. 92-258) and  
18 serves meals to participants in the federal Nutrition Program  
19 for the Elderly in return for contributions established in  
20 amount by the individual participant pursuant to a schedule of  
21 suggested fees as provided for in the federal Act is not  
22 engaged in the business of selling tangible personal property  
23 or taxable service at retail with respect to such transactions.

24 "Purchaser" means anyone who, through a sale at retail,  
25 acquires the ownership of or title to tangible personal  
26 property or taxable service for a valuable consideration.

1 "Reseller of motor fuel" means any person engaged in the  
2 business of selling or delivering or transferring title of  
3 motor fuel to another person other than for use or consumption.  
4 No person shall act as a reseller of motor fuel within this  
5 State without first being registered as a reseller pursuant to  
6 Section 2c or a retailer pursuant to Section 2a.

7 "Selling price" or the "amount of sale" means the  
8 consideration for a sale valued in money whether received in  
9 money or otherwise, including cash, credits, property, other  
10 than as hereinafter provided, and services, but not including  
11 the value of or credit given for traded-in tangible personal  
12 property where the item that is traded-in is of like kind and  
13 character as that which is being sold, and shall be determined  
14 without any deduction on account of the cost of the property  
15 sold, the cost of materials used, labor or service cost or any  
16 other expense whatsoever, but does not include charges that are  
17 added to prices by sellers on account of the seller's tax  
18 liability under this Act, or on account of the seller's duty to  
19 collect, from the purchaser, the tax that is imposed by the Use  
20 Tax Act, or, except as otherwise provided with respect to any  
21 cigarette tax imposed by a home rule unit, on account of the  
22 seller's tax liability under any local occupation tax  
23 administered by the Department, or, except as otherwise  
24 provided with respect to any cigarette tax imposed by a home  
25 rule unit on account of the seller's duty to collect, from the  
26 purchasers, the tax that is imposed under any local use tax

1 administered by the Department. Effective December 1, 1985,  
2 "selling price" shall include charges that are added to prices  
3 by sellers on account of the seller's tax liability under the  
4 Cigarette Tax Act, on account of the sellers' duty to collect,  
5 from the purchaser, the tax imposed under the Cigarette Use Tax  
6 Act, and on account of the seller's duty to collect, from the  
7 purchaser, any cigarette tax imposed by a home rule unit.

8 Notwithstanding any law to the contrary, for any motor  
9 vehicle, as defined in Section 1-146 of the Vehicle Code, that  
10 is sold on or after January 1, 2015 for the purpose of leasing  
11 the vehicle for a defined period that is longer than one year  
12 and (1) is a motor vehicle of the second division that: (A) is  
13 a self-contained motor vehicle designed or permanently  
14 converted to provide living quarters for recreational,  
15 camping, or travel use, with direct walk through access to the  
16 living quarters from the driver's seat; (B) is of the van  
17 configuration designed for the transportation of not less than  
18 7 nor more than 16 passengers; or (C) has a gross vehicle  
19 weight rating of 8,000 pounds or less or (2) is a motor vehicle  
20 of the first division, "selling price" or "amount of sale"  
21 means the consideration received by the lessor pursuant to the  
22 lease contract, including amounts due at lease signing and all  
23 monthly or other regular payments charged over the term of the  
24 lease. Also included in the selling price is any amount  
25 received by the lessor from the lessee for the leased vehicle  
26 that is not calculated at the time the lease is executed,



1 including, but not limited to, excess mileage charges and  
2 charges for excess wear and tear. For sales that occur in  
3 Illinois, with respect to any amount received by the lessor  
4 from the lessee for the leased vehicle that is not calculated  
5 at the time the lease is executed, the lessor who purchased the  
6 motor vehicle does not incur the tax imposed by the Use Tax Act  
7 on those amounts, and the retailer who makes the retail sale of  
8 the motor vehicle to the lessor is not required to collect the  
9 tax imposed by the Use Tax Act or to pay the tax imposed by this  
10 Act on those amounts. However, the lessor who purchased the  
11 motor vehicle assumes the liability for reporting and paying  
12 the tax on those amounts directly to the Department in the same  
13 form (Illinois Retailers' Occupation Tax, and local retailers'  
14 occupation taxes, if applicable) in which the retailer would  
15 have reported and paid such tax if the retailer had accounted  
16 for the tax to the Department. For amounts received by the  
17 lessor from the lessee that are not calculated at the time the  
18 lease is executed, the lessor must file the return and pay the  
19 tax to the Department by the due date otherwise required by  
20 this Act for returns other than transaction returns. If the  
21 retailer is entitled under this Act to a discount for  
22 collecting and remitting the tax imposed under this Act to the  
23 Department with respect to the sale of the motor vehicle to the  
24 lessor, then the right to the discount provided in this Act  
25 shall be transferred to the lessor with respect to the tax paid  
26 by the lessor for any amount received by the lessor from the

1 lessee for the leased vehicle that is not calculated at the  
2 time the lease is executed; provided that the discount is only  
3 allowed if the return is timely filed and for amounts timely  
4 paid. The "selling price" of a motor vehicle that is sold on or  
5 after January 1, 2015 for the purpose of leasing for a defined  
6 period of longer than one year shall not be reduced by the  
7 value of or credit given for traded-in tangible personal  
8 property owned by the lessor, nor shall it be reduced by the  
9 value of or credit given for traded-in tangible personal  
10 property owned by the lessee, regardless of whether the  
11 trade-in value thereof is assigned by the lessee to the lessor.  
12 In the case of a motor vehicle that is sold for the purpose of  
13 leasing for a defined period of longer than one year, the sale  
14 occurs at the time of the delivery of the vehicle, regardless  
15 of the due date of any lease payments. A lessor who incurs a  
16 Retailers' Occupation Tax liability on the sale of a motor  
17 vehicle coming off lease may not take a credit against that  
18 liability for the Use Tax the lessor paid upon the purchase of  
19 the motor vehicle (or for any tax the lessor paid with respect  
20 to any amount received by the lessor from the lessee for the  
21 leased vehicle that was not calculated at the time the lease  
22 was executed) if the selling price of the motor vehicle at the  
23 time of purchase was calculated using the definition of  
24 "selling price" as defined in this paragraph. Notwithstanding  
25 any other provision of this Act to the contrary, lessors shall  
26 file all returns and make all payments required under this

1 paragraph to the Department by electronic means in the manner  
2 and form as required by the Department. This paragraph does not  
3 apply to leases of motor vehicles for which, at the time the  
4 lease is entered into, the term of the lease is not a defined  
5 period, including leases with a defined initial period with the  
6 option to continue the lease on a month-to-month or other basis  
7 beyond the initial defined period.

8 The phrase "like kind and character" shall be liberally  
9 construed (including but not limited to any form of motor  
10 vehicle for any form of motor vehicle, or any kind of farm or  
11 agricultural implement for any other kind of farm or  
12 agricultural implement), while not including a kind of item  
13 which, if sold at retail by that retailer, would be exempt from  
14 retailers' occupation tax and use tax as an isolated or  
15 occasional sale.

16 "Gross receipts" from the sales of tangible personal  
17 property or taxable service at retail means the total selling  
18 price or the amount of such sales, as hereinbefore defined. In  
19 the case of charge and time sales, the amount thereof shall be  
20 included only as and when payments are received by the seller.  
21 Receipts or other consideration derived by a seller from the  
22 sale, transfer or assignment of accounts receivable to a wholly  
23 owned subsidiary will not be deemed payments prior to the time  
24 the purchaser makes payment on such accounts.

25 "Department" means the Department of Revenue.

26 "Person" means any natural individual, firm, partnership,

1 association, joint stock company, joint adventure, public or  
2 private corporation, limited liability company, or a receiver,  
3 executor, trustee, guardian or other representative appointed  
4 by order of any court.

5 The isolated or occasional sale of tangible personal  
6 property or taxable service at retail by a person who does not  
7 hold himself out as being engaged (or who does not habitually  
8 engage) in selling such tangible personal property or taxable  
9 service at retail, or a sale through a bulk vending machine,  
10 does not constitute engaging in a business of selling such  
11 tangible personal property or taxable service at retail within  
12 the meaning of this Act; provided that any person who is  
13 engaged in a business which is not subject to the tax imposed  
14 by this Act because of involving the sale of or a contract to  
15 sell real estate or a construction contract to improve real  
16 estate or a construction contract to engineer, install, and  
17 maintain an integrated system of products, but who, in the  
18 course of conducting such business, transfers tangible  
19 personal property to users or consumers in the finished form in  
20 which it was purchased, and which does not become real estate  
21 or was not engineered and installed, under any provision of a  
22 construction contract or real estate sale or real estate sales  
23 agreement entered into with some other person arising out of or  
24 because of such nontaxable business, is engaged in the business  
25 of selling tangible personal property at retail to the extent  
26 of the value of the tangible personal property so transferred.

1 If, in such a transaction, a separate charge is made for the  
2 tangible personal property so transferred, the value of such  
3 property, for the purpose of this Act, shall be the amount so  
4 separately charged, but not less than the cost of such property  
5 to the transferor; if no separate charge is made, the value of  
6 such property, for the purposes of this Act, is the cost to the  
7 transferor of such tangible personal property. Construction  
8 contracts for the improvement of real estate consisting of  
9 engineering, installation, and maintenance of voice, data,  
10 video, security, and all telecommunication systems do not  
11 constitute engaging in a business of selling tangible personal  
12 property or taxable service at retail within the meaning of  
13 this Act if they are sold at one specified contract price.

14 A person who holds himself or herself out as being engaged  
15 (or who habitually engages) in selling tangible personal  
16 property or taxable service at retail is a person engaged in  
17 the business of selling tangible personal property or taxable  
18 service at retail hereunder with respect to such sales (and not  
19 primarily in a nontaxable service occupation) notwithstanding  
20 the fact that such person designs and produces such tangible  
21 personal property or taxable service on special order for the  
22 purchaser and in such a way as to render the property or  
23 service of value only to such purchaser, if such tangible  
24 personal property or taxable service so produced on special  
25 order serves substantially the same function as stock or  
26 standard items of tangible personal property or taxable service

1 that are sold at retail.

2 Persons who engage in the business of transferring tangible  
3 personal property or taxable service upon the redemption of  
4 trading stamps are engaged in the business of selling such  
5 property or service at retail and shall be liable for and shall  
6 pay the tax imposed by this Act on the basis of the retail  
7 value of the property or service transferred upon redemption of  
8 such stamps.

9 "Bulk vending machine" means a vending machine, containing  
10 unsorted confections, nuts, toys, or other items designed  
11 primarily to be used or played with by children which, when a  
12 coin or coins of a denomination not larger than \$0.50 are  
13 inserted, are dispensed in equal portions, at random and  
14 without selection by the customer.

15 (Source: P.A. 98-628, eff. 1-1-15; 98-1080, eff. 8-26-14.)

16 (35 ILCS 120/1b new)

17 Sec. 1b. Taxable service. Beginning January 1, 2018,  
18 "taxable service" has the meaning provided in Section 2a-2 of  
19 the Use Tax Act.

20 (35 ILCS 120/2) (from Ch. 120, par. 441)

21 Sec. 2. Tax imposed. A tax is imposed upon persons engaged  
22 in the business of selling at retail taxable service or  
23 tangible personal property, or both, including computer  
24 software, and including photographs, negatives, and positives

1 that are the product of photoprocessing, but not including  
2 products of photoprocessing produced for use in motion pictures  
3 for public commercial exhibition. Beginning January 1, 2001,  
4 prepaid telephone calling arrangements shall be considered  
5 tangible personal property subject to the tax imposed under  
6 this Act regardless of the form in which those arrangements may  
7 be embodied, transmitted, or fixed by any method now known or  
8 hereafter developed. Sales of (1) electricity delivered to  
9 customers by wire; (2) natural or artificial gas that is  
10 delivered to customers through pipes, pipelines, or mains; and  
11 (3) water that is delivered to customers through pipes,  
12 pipelines, or mains are not subject to tax under this Act. The  
13 provisions of this amendatory Act of the 98th General Assembly  
14 are declaratory of existing law as to the meaning and scope of  
15 this Act.

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

17 (35 ILCS 120/2-5)

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

21 (1) Farm chemicals.

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

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

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

24 Farm machinery and equipment also includes computers,  
25 sensors, software, and related equipment used primarily in the  
26 computer-assisted operation of production agriculture



1 facilities, equipment, and activities such as, but not limited  
2 to, the collection, monitoring, and correlation of animal and  
3 crop data for the purpose of formulating animal diets and  
4 agricultural chemicals. This item (2) is exempt from the  
5 provisions of Section 2-70.

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

12 (4) Until July 1, 2003 and beginning again September 1,  
13 2004 through August 30, 2014, graphic arts machinery and  
14 equipment, including repair and replacement parts, both new and  
15 used, and including that manufactured on special order or  
16 purchased for lease, certified by the purchaser to be used  
17 primarily for graphic arts production. Equipment includes  
18 chemicals or chemicals acting as catalysts but only if the  
19 chemicals or chemicals acting as catalysts effect a direct and  
20 immediate change upon a graphic arts product. Beginning on July  
21 1, 2017, graphic arts machinery and equipment is included in  
22 the manufacturing and assembling machinery and equipment  
23 exemption under paragraph (14).

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

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

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

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

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

26           (10) Personal property sold or taxable service performed by

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

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

21 (12) Tangible personal property sold to interstate  
22 carriers for hire for use as rolling stock moving in interstate  
23 commerce or to lessors under leases of one year or longer  
24 executed or in effect at the time of purchase by interstate  
25 carriers for hire for use as rolling stock moving in interstate  
26 commerce and equipment operated by a telecommunications

1 provider, licensed as a common carrier by the Federal  
2 Communications Commission, which is permanently installed in  
3 or affixed to aircraft moving in interstate commerce.

4 (12-5) On and after July 1, 2003 and through June 30, 2004,  
5 motor vehicles of the second division with a gross vehicle  
6 weight in excess of 8,000 pounds that are subject to the  
7 commercial distribution fee imposed under Section 3-815.1 of  
8 the Illinois Vehicle Code. Beginning on July 1, 2004 and  
9 through June 30, 2005, the use in this State of motor vehicles  
10 of the second division: (i) with a gross vehicle weight rating  
11 in excess of 8,000 pounds; (ii) that are subject to the  
12 commercial distribution fee imposed under Section 3-815.1 of  
13 the Illinois Vehicle Code; and (iii) that are primarily used  
14 for commercial purposes. Through June 30, 2005, this exemption  
15 applies to repair and replacement parts added after the initial  
16 purchase of such a motor vehicle if that motor vehicle is used  
17 in a manner that would qualify for the rolling stock exemption  
18 otherwise provided for in this Act. For purposes of this  
19 paragraph, "used for commercial purposes" means the  
20 transportation of persons or property in furtherance of any  
21 commercial or industrial enterprise whether for-hire or not.

22 (13) Proceeds from sales to owners, lessors, or shippers of  
23 tangible personal property that is utilized by interstate  
24 carriers for hire for use as rolling stock moving in interstate  
25 commerce and equipment operated by a telecommunications  
26 provider, licensed as a common carrier by the Federal

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

3 (14) Machinery and equipment that will be used by the  
4 purchaser, or a lessee of the purchaser, primarily in the  
5 process of manufacturing or assembling tangible personal  
6 property for wholesale or retail sale or lease, whether the  
7 sale or lease is made directly by the manufacturer or by some  
8 other person, whether the materials used in the process are  
9 owned by the manufacturer or some other person, or whether the  
10 sale or lease is made apart from or as an incident to the  
11 seller's engaging in the service occupation of producing  
12 machines, tools, dies, jigs, patterns, gauges, or other similar  
13 items of no commercial value on special order for a particular  
14 purchaser. The exemption provided by this paragraph (14) does  
15 not include machinery and equipment used in (i) the generation  
16 of electricity for wholesale or retail sale; (ii) the  
17 generation or treatment of natural or artificial gas for  
18 wholesale or retail sale that is delivered to customers through  
19 pipes, pipelines, or mains; or (iii) the treatment of water for  
20 wholesale or retail sale that is delivered to customers through  
21 pipes, pipelines, or mains. The provisions of Public Act 98-583  
22 are declaratory of existing law as to the meaning and scope of  
23 this exemption. Beginning on July 1, 2017, the exemption  
24 provided by this paragraph (14) includes, but is not limited  
25 to, graphic arts machinery and equipment, as defined in  
26 paragraph (4) of this Section. Beginning on July 1, 2017, the

1 exemption provided by this paragraph (14) includes, but is not  
2 limited to, production related tangible personal property, as  
3 defined in Section 2-45 of this Act. The exemption provided by  
4 this paragraph (14) is exempt from the provisions of Section  
5 2-70.

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

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

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

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

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

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

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

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

1 effective date of Public Act 98-456).

2 (22) Until June 30, 2013, fuel and petroleum products sold  
3 to or used by an air carrier, certified by the carrier to be  
4 used for consumption, shipment, or storage in the conduct of  
5 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 (23) A transaction in which the purchase order is received  
20 by a florist who is located outside Illinois, but who has a  
21 florist located in Illinois deliver the property to the  
22 purchaser or the purchaser's donee in Illinois.

23 (24) Fuel consumed or used in the operation of ships,  
24 barges, or vessels that are used primarily in or for the  
25 transportation of property or the conveyance of persons for  
26 hire on rivers bordering on this State if the fuel is delivered



1 by the seller to the purchaser's barge, ship, or vessel while  
2 it is afloat upon that bordering river.

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

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

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

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

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

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

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

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

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

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

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

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

26           (27) Horses, or interests in horses, registered with and

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

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

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

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

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

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

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

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

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

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

1 another individual or entity that sold the property for the  
2 purpose of resale by the fundraising entity and that profits  
3 from the sale to the fundraising entity. This paragraph is  
4 exempt from the provisions of Section 2-70.

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

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

1 Mental Health Rehabilitation Act of 2013.

2 (36) Beginning August 2, 2001, computers and  
3 communications equipment utilized for any hospital purpose and  
4 equipment used in the diagnosis, analysis, or treatment of  
5 hospital patients sold to a lessor who leases the equipment,  
6 under a lease of one year or longer executed or in effect at  
7 the time of the purchase, to a hospital that has been issued an  
8 active tax exemption identification number by the Department  
9 under Section 1g of this Act. This paragraph is exempt from the  
10 provisions of Section 2-70.

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

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



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

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

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

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

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

1 only if the legal title to the municipal convention hall is  
2 transferred to the municipality without any further  
3 consideration by or on behalf of the municipality at the time  
4 of the completion of the municipal convention hall or upon the  
5 retirement or redemption of any bonds or other debt instruments  
6 issued by the public-facilities corporation in connection with  
7 the development of the municipal convention hall. This  
8 exemption includes existing public-facilities corporations as  
9 provided in Section 11-65-25 of the Illinois Municipal Code.  
10 This paragraph is exempt from the provisions of Section 2-70.

11 (42) Beginning January 1, 2017, menstrual pads, tampons,  
12 and menstrual cups.

13 (43) Beginning January 1, 2018, taxable service performed  
14 on or to tangible personal property the sale of which is exempt  
15 from taxation under this Act. This paragraph is exempt from the  
16 provisions of Section 2-70.

17 (44) Beginning January 1, 2018, taxable service performed  
18 in a transaction that would be exempt from taxation under this  
19 Act if it involved solely the sale of tangible personal  
20 property. Such exemption could be due to the nature of the  
21 seller or of the service provider, the purchaser or service  
22 recipient, or other features of the transaction, including but  
23 not limited to the location or sale-for-resale nature of the  
24 transaction. Any such exemption applies to transactions  
25 involving solely the sale of tangible personal property, solely  
26 the performance of taxable service, or some combination

1 thereof. This paragraph is exempt from the provisions of  
2 Section 2-70.

3 (45) Beginning January 1, 2018, taxable service performed  
4 for or provided to businesses making purchases of services for  
5 the benefit of or in furtherance of the business. This  
6 paragraph is exempt from the provisions of Section 2-70.

7 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
8 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.  
9 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.  
10 7-29-15; 99-855, eff. 8-19-16.)

11 (35 ILCS 120/2-10)

12 Sec. 2-10. Rate of tax. Unless otherwise provided in this  
13 Section, the tax imposed by this Act is at the rate of 6.25% of  
14 gross receipts from sales of tangible personal property made in  
15 the course of business. Beginning July 1, 2017, the tax is also  
16 imposed at the rate of 6.25% of the gross receipts from sales  
17 of taxable services.

18 Beginning on July 1, 2000 and through December 31, 2000,  
19 with respect to motor fuel, as defined in Section 1.1 of the  
20 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of  
21 the Use Tax Act, the tax is imposed at the rate of 1.25%.

22 Beginning on August 6, 2010 through August 15, 2010, with  
23 respect to sales tax holiday items as defined in Section 2-8 of  
24 this Act, the tax is imposed at the rate of 1.25%.

25 Within 14 days after the effective date of this amendatory

1 Act of the 91st General Assembly, each retailer of motor fuel  
2 and gasohol shall cause the following notice to be posted in a  
3 prominently visible place on each retail dispensing device that  
4 is used to dispense motor fuel or gasohol in the State of  
5 Illinois: "As of July 1, 2000, the State of Illinois has  
6 eliminated the State's share of sales tax on motor fuel and  
7 gasohol through December 31, 2000. The price on this pump  
8 should reflect the elimination of the tax." The notice shall be  
9 printed in bold print on a sign that is no smaller than 4  
10 inches by 8 inches. The sign shall be clearly visible to  
11 customers. Any retailer who fails to post or maintain a  
12 required sign through December 31, 2000 is guilty of a petty  
13 offense for which the fine shall be \$500 per day per each  
14 retail premises where a violation occurs.

15 With respect to gasohol, as defined in the Use Tax Act, the  
16 tax imposed by this Act applies to (i) 70% of the proceeds of  
17 sales made on or after January 1, 1990, and before July 1,  
18 2003, (ii) 80% of the proceeds of sales made on or after July  
19 1, 2003 and on or before December 31, 2018, and (iii) 100% of  
20 the proceeds of sales made thereafter. If, at any time,  
21 however, the tax under this Act on sales of gasohol, as defined  
22 in the Use Tax Act, is imposed at the rate of 1.25%, then the  
23 tax imposed by this Act applies to 100% of the proceeds of  
24 sales of gasohol made during that time.

25 With respect to majority blended ethanol fuel, as defined  
26 in the Use Tax Act, the tax imposed by this Act does not apply

1 to the proceeds of sales made on or after July 1, 2003 and on or  
2 before December 31, 2018 but applies to 100% of the proceeds of  
3 sales made thereafter.

4 With respect to biodiesel blends, as defined in the Use Tax  
5 Act, with no less than 1% and no more than 10% biodiesel, the  
6 tax imposed by this Act applies to (i) 80% of the proceeds of  
7 sales made on or after July 1, 2003 and on or before December  
8 31, 2018 and (ii) 100% of the proceeds of sales made  
9 thereafter. If, at any time, however, the tax under this Act on  
10 sales of biodiesel blends, as defined in the Use Tax Act, with  
11 no less than 1% and no more than 10% biodiesel is imposed at  
12 the rate of 1.25%, then the tax imposed by this Act applies to  
13 100% of the proceeds of sales of biodiesel blends with no less  
14 than 1% and no more than 10% biodiesel made during that time.

15 With respect to 100% biodiesel, as defined in the Use Tax  
16 Act, and biodiesel blends, as defined in the Use Tax Act, with  
17 more than 10% but no more than 99% biodiesel, the tax imposed  
18 by this Act does not apply to the proceeds of sales made on or  
19 after July 1, 2003 and on or before December 31, 2018 but  
20 applies to 100% of the proceeds of sales made thereafter.

21 With respect to food for human consumption that is to be  
22 consumed off the premises where it is sold (other than  
23 alcoholic beverages, soft drinks, and food that has been  
24 prepared for immediate consumption) and prescription and  
25 nonprescription medicines, drugs, medical appliances, products  
26 classified as Class III medical devices by the United States

1 Food and Drug Administration that are used for cancer treatment  
2 pursuant to a prescription, as well as any accessories and  
3 components related to those devices, modifications to a motor  
4 vehicle for the purpose of rendering it usable by a person with  
5 a disability, and insulin, urine testing materials, syringes,  
6 and needles used by diabetics, for human use, the tax is  
7 imposed at the rate of 1%. For the purposes of this Section,  
8 until September 1, 2009: the term "soft drinks" means any  
9 complete, finished, ready-to-use, non-alcoholic drink, whether  
10 carbonated or not, including but not limited to soda water,  
11 cola, fruit juice, vegetable juice, carbonated water, and all  
12 other preparations commonly known as soft drinks of whatever  
13 kind or description that are contained in any closed or sealed  
14 bottle, can, carton, or container, regardless of size; but  
15 "soft drinks" does not include coffee, tea, non-carbonated  
16 water, infant formula, milk or milk products as defined in the  
17 Grade A Pasteurized Milk and Milk Products Act, or drinks  
18 containing 50% or more natural fruit or vegetable juice.

19 Notwithstanding any other provisions of this Act,  
20 beginning September 1, 2009, "soft drinks" means non-alcoholic  
21 beverages that contain natural or artificial sweeteners. "Soft  
22 drinks" do not include beverages that contain milk or milk  
23 products, soy, rice or similar milk substitutes, or greater  
24 than 50% of vegetable or fruit juice by volume.

25 Until August 1, 2009, and notwithstanding any other  
26 provisions of this Act, "food for human consumption that is to

1 be consumed off the premises where it is sold" includes all  
2 food sold through a vending machine, except soft drinks and  
3 food products that are dispensed hot from a vending machine,  
4 regardless of the location of the vending machine. Beginning  
5 August 1, 2009, and notwithstanding any other provisions of  
6 this Act, "food for human consumption that is to be consumed  
7 off the premises where it is sold" includes all food sold  
8 through a vending machine, except soft drinks, candy, and food  
9 products that are dispensed hot from a vending machine,  
10 regardless of the location of the vending machine.

11 Notwithstanding any other provisions of this Act,  
12 beginning September 1, 2009, "food for human consumption that  
13 is to be consumed off the premises where it is sold" does not  
14 include candy. For purposes of this Section, "candy" means a  
15 preparation of sugar, honey, or other natural or artificial  
16 sweeteners in combination with chocolate, fruits, nuts or other  
17 ingredients or flavorings in the form of bars, drops, or  
18 pieces. "Candy" does not include any preparation that contains  
19 flour or requires refrigeration.

20 Notwithstanding any other provisions of this Act,  
21 beginning September 1, 2009, "nonprescription medicines and  
22 drugs" does not include grooming and hygiene products. For  
23 purposes of this Section, "grooming and hygiene products"  
24 includes, but is not limited to, soaps and cleaning solutions,  
25 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan  
26 lotions and screens, unless those products are available by



1 prescription only, regardless of whether the products meet the  
2 definition of "over-the-counter-drugs". For the purposes of  
3 this paragraph, "over-the-counter-drug" means a drug for human  
4 use that contains a label that identifies the product as a drug  
5 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"  
6 label includes:

7 (A) A "Drug Facts" panel; or

8 (B) A statement of the "active ingredient(s)" with a  
9 list of those ingredients contained in the compound,  
10 substance or preparation.

11 Beginning on the effective date of this amendatory Act of  
12 the 98th General Assembly, "prescription and nonprescription  
13 medicines and drugs" includes medical cannabis purchased from a  
14 registered dispensing organization under the Compassionate Use  
15 of Medical Cannabis Pilot Program Act.

16 (Source: P.A. 98-122, eff. 1-1-14; 99-143, eff. 7-27-15;  
17 99-858, eff. 8-19-16.)

18 (35 ILCS 120/2-10.5)

19 Sec. 2-10.5. Direct payment program; purchaser's providing  
20 of permit to retailer; retailer relieved of collecting use tax  
21 and local retailers' occupation tax reimbursements from  
22 purchaser; direct payment of retailers' occupation tax and  
23 local retailers' occupation tax by purchaser.

24 (a) Beginning on July 1, 2001 there is established in this  
25 State a Direct Payment Program to be administered by the

1 Department. The Department shall issue a Direct Pay Permit to  
2 applicants who have been approved to participate in the Direct  
3 Payment Program. Each person applying to participate in the  
4 Direct Payment Program must demonstrate (1) the applicant's  
5 ability to comply with the retailers' occupation tax laws and  
6 the use tax laws in effect in this State and that the  
7 applicant's accounting system will reflect the proper amount of  
8 tax due, (2) that the applicant has a valid business purpose  
9 for participating in the Direct Payment Program, and (3) how  
10 the applicant's participation in the Direct Payment Program  
11 will benefit tax compliance. Application shall be made on forms  
12 provided by the Department and shall contain information as the  
13 Department may reasonably require. The Department shall  
14 approve or deny an applicant within 90 days after the  
15 Department's receipt of the application, unless the Department  
16 makes a written request for additional information from the  
17 applicant.

18 (b) A person who has been approved for the Direct Payment  
19 Program and who has been issued a Direct Pay Permit by the  
20 Department is relieved of paying tax to a retailer when  
21 purchasing tangible personal property or taxable service for  
22 use or consumption, except as provided in subsection (d), by  
23 providing that retailer a copy of that Direct Pay Permit. A  
24 retailer who accepts a copy of a customer's Direct Pay Permit  
25 is relieved of the obligation to remit the tax imposed by this  
26 Act on the transaction. References in this Section to "the tax

1 imposed by this Act" include any local occupation taxes  
2 administered by the Department that would be incurred on the  
3 retail sale.

4 (c) Once the holder of a Direct Pay Permit uses that Permit  
5 to relieve the Permit holder from paying tax to a particular  
6 retailer, the holder must use its Permit for all purchases,  
7 except as provided in subsection (d), from that retailer for so  
8 long as the Permit is valid.

9 (d) Direct Pay Permits are not valid and shall not be used  
10 for sales or purchases of:

11 (1) food or beverage;

12 (2) tangible personal property required to be titled or  
13 registered with an agency of government; or

14 (3) any transactions subject to the Service Occupation  
15 Tax Act or Service Use Tax Act.

16 (e) Direct Pay Permits are not assignable and are not  
17 transferable. As an illustration, a construction contractor  
18 shall not make purchases using a customer's Direct Pay Permit.

19 (f) A Direct Pay Permit is valid until it is revoked by the  
20 Department or until the holder notifies the Department in  
21 writing that the holder is withdrawing from the Direct Payment  
22 Program. A Direct Pay Permit can be revoked by the Department,  
23 after notice and hearing, if the holder violates any provision  
24 of this Act, any provision of the Illinois Use Tax Act, or any  
25 provision of any Act imposing a local retailers' occupation tax  
26 administered by the Department.

1 (g) The holder of a Direct Pay Permit who has been relieved  
2 of paying tax to a retailer on a purchase for use or  
3 consumption by representing to that retailer that it would pay  
4 all applicable taxes directly to the Department shall pay those  
5 taxes to the Department not later than the 20th day of the  
6 month following the month in which the purchase was made.  
7 Permit holders making such purchases are subject to all  
8 provisions of this Act, and the tax must be reported and paid  
9 as retailers' occupation tax in the same manner that the  
10 retailer from whom the purchases were made would have reported  
11 and paid it, including any local retailers' occupation taxes  
12 applicable to that retail sale. Notwithstanding any other  
13 provision of this Act, Permit holders shall make all payments  
14 to the Department through the use of electronic funds transfer.  
15 (Source: P.A. 92-484, eff. 8-23-01.)

16 (35 ILCS 120/2-12)

17 Sec. 2-12. Location where retailer is deemed to be engaged  
18 in the business of selling. The purpose of this Section is to  
19 specify where a retailer is deemed to be engaged in the  
20 business of selling tangible personal property or taxable  
21 service for the purposes of this Act, the Use Tax Act, the  
22 Service Use Tax Act, and the Service Occupation Tax Act, and  
23 for the purpose of collecting any other local retailers'  
24 occupation tax administered by the Department. This Section  
25 applies only with respect to the particular selling activities

1 described in the following paragraphs. The provisions of this  
2 Section are not intended to, and shall not be interpreted to,  
3 affect where a retailer is deemed to be engaged in the business  
4 of selling with respect to any activity that is not  
5 specifically described in the following paragraphs.

6 (1) If a purchaser who is present at the retailer's  
7 place of business, having no prior commitment to the  
8 retailer, agrees to purchase and makes payment for tangible  
9 personal property at the retailer's place of business, then  
10 the transaction shall be deemed an over-the-counter sale  
11 occurring at the retailer's same place of business where  
12 the purchaser was present and made payment for that  
13 tangible personal property if the retailer regularly  
14 stocks the purchased tangible personal property or similar  
15 tangible personal property in the quantity, or similar  
16 quantity, for sale at the retailer's same place of business  
17 and then either (i) the purchaser takes possession of the  
18 tangible personal property at the same place of business or  
19 (ii) the retailer delivers or arranges for the tangible  
20 personal property to be delivered to the purchaser.

21 (2) If a purchaser, having no prior commitment to the  
22 retailer, agrees to purchase tangible personal property  
23 and makes payment over the phone, in writing, or via the  
24 Internet and takes possession of the tangible personal  
25 property at the retailer's place of business, then the sale  
26 shall be deemed to have occurred at the retailer's place of

1 business where the purchaser takes possession of the  
2 property if the retailer regularly stocks the item or  
3 similar items in the quantity, or similar quantities,  
4 purchased by the purchaser.

5 (3) A retailer is deemed to be engaged in the business  
6 of selling food, beverages, or other tangible personal  
7 property through a vending machine at the location where  
8 the vending machine is located at the time the sale is made  
9 if (i) the vending machine is a device operated by coin,  
10 currency, credit card, token, coupon or similar device; (2)  
11 the food, beverage or other tangible personal property is  
12 contained within the vending machine and dispensed from the  
13 vending machine; and (3) the purchaser takes possession of  
14 the purchased food, beverage or other tangible personal  
15 property immediately.

16 (4) Minerals. A producer of coal or other mineral mined  
17 in Illinois is deemed to be engaged in the business of  
18 selling at the place where the coal or other mineral mined  
19 in Illinois is extracted from the earth. With respect to  
20 minerals (i) the term "extracted from the earth" means the  
21 location at which the coal or other mineral is extracted  
22 from the mouth of the mine, and (ii) a "mineral" includes  
23 not only coal, but also oil, sand, stone taken from a  
24 quarry, gravel and any other thing commonly regarded as a  
25 mineral and extracted from the earth. This paragraph does  
26 not apply to coal or another mineral when it is delivered

1 or shipped by the seller to the purchaser at a point  
2 outside Illinois so that the sale is exempt under the  
3 United States Constitution as a sale in interstate or  
4 foreign commerce.

5 (5) A retailer selling tangible personal property to a  
6 nominal lessee or bailee pursuant to a lease with a dollar  
7 or other nominal option to purchase is engaged in the  
8 business of selling at the location where the property is  
9 first delivered to the lessee or bailee for its intended  
10 use.

11 (6) Landscaping services shall be sourced to the  
12 location of the parcel or tract of land where the benefit  
13 of the landscaping services is realized.

14 (Source: P.A. 98-1098, eff. 8-26-14; 99-126, eff. 7-23-15.)

15 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

16 Sec. 2-45. Manufacturing and assembly exemption. The  
17 manufacturing and assembly machinery and equipment exemption  
18 includes machinery and equipment that replaces machinery and  
19 equipment in an existing manufacturing facility as well as  
20 machinery and equipment that are for use in an expanded or new  
21 manufacturing facility.

22 The machinery and equipment exemption also includes  
23 machinery and equipment used in the general maintenance or  
24 repair of exempt machinery and equipment or for in-house  
25 manufacture of exempt machinery and equipment. Beginning on

1 July 1, 2017, the manufacturing and assembling machinery and  
2 equipment exemption also includes graphic arts machinery and  
3 equipment, as defined in paragraph (4) of Section 2-5.  
4 Beginning on July 1, 2017, the manufacturing and assembling  
5 machinery and equipment exemption also includes production  
6 related tangible personal property, as defined in this Section.

7 The machinery and equipment exemption does not include  
8 machinery and equipment used in (i) the generation of  
9 electricity for wholesale or retail sale; (ii) the generation  
10 or treatment of natural or artificial gas for wholesale or  
11 retail sale that is delivered to customers through pipes,  
12 pipelines, or mains; or (iii) the treatment of water for  
13 wholesale or retail sale that is delivered to customers through  
14 pipes, pipelines, or mains. The provisions of this amendatory  
15 Act of the 98th General Assembly are declaratory of existing  
16 law as to the meaning and scope of this exemption. For the  
17 purposes of this exemption, terms have the following meanings:

18 (1) "Manufacturing process" means the production of an  
19 article of tangible personal property, whether the article  
20 is a finished product or an article for use in the process  
21 of manufacturing or assembling a different article of  
22 tangible personal property, by a procedure commonly  
23 regarded as manufacturing, processing, fabricating, or  
24 refining that changes some existing material or materials  
25 into a material with a different form, use, or name. In  
26 relation to a recognized integrated business composed of a



1 series of operations that collectively constitute  
2 manufacturing, or individually constitute manufacturing  
3 operations, the manufacturing process commences with the  
4 first operation or stage of production in the series and  
5 does not end until the completion of the final product in  
6 the last operation or stage of production in the series.  
7 For purposes of this exemption, photoprocessing is a  
8 manufacturing process of tangible personal property for  
9 wholesale or retail sale.

10 (2) "Assembling process" means the production of an  
11 article of tangible personal property, whether the article  
12 is a finished product or an article for use in the process  
13 of manufacturing or assembling a different article of  
14 tangible personal property, by the combination of existing  
15 materials in a manner commonly regarded as assembling that  
16 results in a material of a different form, use, or name.

17 (3) "Machinery" means major mechanical machines or  
18 major components of those machines contributing to a  
19 manufacturing or assembling process.

20 (4) "Equipment" includes an independent device or tool  
21 separate from machinery but essential to an integrated  
22 manufacturing or assembly process; including computers  
23 used primarily in a manufacturer's computer assisted  
24 design, computer assisted manufacturing (CAD/CAM) system;  
25 any subunit or assembly comprising a component of any  
26 machinery or auxiliary, adjunct, or attachment parts of

1 machinery, such as tools, dies, jigs, fixtures, patterns,  
2 and molds; and any parts that require periodic replacement  
3 in the course of normal operation; but does not include  
4 hand tools. Equipment includes chemicals or chemicals  
5 acting as catalysts but only if the chemicals or chemicals  
6 acting as catalysts effect a direct and immediate change  
7 upon a product being manufactured or assembled for  
8 wholesale or retail sale or lease.

9 (5) "Production related tangible personal property"  
10 means all tangible personal property that is used or  
11 consumed by the purchaser in a manufacturing facility in  
12 which a manufacturing process takes place and includes,  
13 without limitation, tangible personal property that is  
14 purchased for incorporation into real estate within a  
15 manufacturing facility and tangible personal property that  
16 is used or consumed in activities such as research and  
17 development, preproduction material handling, receiving,  
18 quality control, inventory control, storage, staging, and  
19 packaging for shipping and transportation purposes.  
20 "Production related tangible personal property" does not  
21 include (i) tangible personal property that is used, within  
22 or without a manufacturing facility, in sales, purchasing,  
23 accounting, fiscal management, marketing, personnel  
24 recruitment or selection, or landscaping or (ii) tangible  
25 personal property that is required to be titled or  
26 registered with a department, agency, or unit of federal,

1 State, or local government.

2 The manufacturing and assembling machinery and equipment  
3 exemption includes production related tangible personal  
4 property that is purchased (i) on or after July 1, 2007 and on  
5 or before June 30, 2008 or (ii) on and after July 1, 2017. The  
6 exemption for production related tangible personal property  
7 purchased on or after July 1, 2007 and on or before June 30,  
8 2008 is subject to both of the following limitations:

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

17 (2) The maximum aggregate amount of the exemptions for  
18 production related tangible personal property awarded  
19 under this Act and the Use Tax Act to all taxpayers may not  
20 exceed \$10,000,000. If the claims for the exemption exceed  
21 \$10,000,000, then the Department shall reduce the amount of  
22 the exemption to each taxpayer on a pro rata basis.

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

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

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

1 Administrative Procedure Act.

2 The manufacturing and assembling machinery and equipment  
3 exemption is exempt from the provisions of Section 2-70.

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

5 (35 ILCS 120/2-55) (from Ch. 120, par. 441-55)

6 Sec. 2-55. Serviceman transfer. Tangible personal property  
7 purchased by a serviceman, as defined in Section 2 of the  
8 Service Occupation Tax Act, is subject to the tax imposed by  
9 this Act when purchased for transfer by the serviceman  
10 incidental to completion of a maintenance agreement. Effective  
11 January 1, 2018, purchases of tangible personal property  
12 purchased for transfer incidental to performance of a taxable  
13 service is not subject to the tax imposed by this Act.

14 (Source: P.A. 91-51, eff. 6-30-99.)

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

16 Sec. 2a. It is unlawful for any person to engage in the  
17 business of selling tangible personal property or taxable  
18 service at retail in this State without a certificate of  
19 registration from the Department. Application for a  
20 certificate of registration shall be made to the Department  
21 upon forms furnished by it. Each such application shall be  
22 signed and verified and shall state: (1) the name and social  
23 security number of the applicant; (2) the address of his  
24 principal place of business; (3) the address of the principal

1 place of business from which he engages in the business of  
2 selling tangible personal property or taxable service at retail  
3 in this State and the addresses of all other places of  
4 business, if any (enumerating such addresses, if any, in a  
5 separate list attached to and made a part of the application),  
6 from which he engages in the business of selling tangible  
7 personal property or taxable service at retail in this State;  
8 (4) the name and address of the person or persons who will be  
9 responsible for filing returns and payment of taxes due under  
10 this Act; (5) in the case of a publicly traded corporation, the  
11 name and title of the Chief Financial Officer, Chief Operating  
12 Officer, and any other officer or employee with responsibility  
13 for preparing tax returns under this Act, along with the last 4  
14 digits of each of their social security numbers, and, in the  
15 case of all other corporations, the name, title, and social  
16 security number of each corporate officer; (6) in the case of a  
17 limited liability company, the name, social security number,  
18 and FEIN number of each manager and member; and (7) such other  
19 information as the Department may reasonably require. The  
20 application shall contain an acceptance of responsibility  
21 signed by the person or persons who will be responsible for  
22 filing returns and payment of the taxes due under this Act. If  
23 the applicant will sell tangible personal property at retail  
24 through vending machines, his application to register shall  
25 indicate the number of vending machines to be so operated. If  
26 requested by the Department at any time, that person shall

1 verify the total number of vending machines he or she uses in  
2 his or her business of selling tangible personal property at  
3 retail.

4 The Department may deny a certificate of registration to  
5 any applicant if a person who is named as the owner, a partner,  
6 a manager or member of a limited liability company, or a  
7 corporate officer of the applicant on the application for the  
8 certificate of registration is or has been named as the owner,  
9 a partner, a manager or member of a limited liability company,  
10 or a corporate officer on the application for the certificate  
11 of registration of another retailer that is in default for  
12 moneys due under this Act or any other tax or fee Act  
13 administered by the Department. For purposes of this paragraph  
14 only, in determining whether a person is in default for moneys  
15 due, the Department shall include only amounts established as a  
16 final liability within the 20 years prior to the date of the  
17 Department's notice of denial of a certificate of registration.

18 The Department may require an applicant for a certificate  
19 of registration hereunder to, at the time of filing such  
20 application, furnish a bond from a surety company authorized to  
21 do business in the State of Illinois, or an irrevocable bank  
22 letter of credit or a bond signed by 2 personal sureties who  
23 have filed, with the Department, sworn statements disclosing  
24 net assets equal to at least 3 times the amount of the bond to  
25 be required of such applicant, or a bond secured by an  
26 assignment of a bank account or certificate of deposit, stocks

1 or bonds, conditioned upon the applicant paying to the State of  
2 Illinois all moneys becoming due under this Act and under any  
3 other State tax law or municipal or county tax ordinance or  
4 resolution under which the certificate of registration that is  
5 issued to the applicant under this Act will permit the  
6 applicant to engage in business without registering separately  
7 under such other law, ordinance or resolution. In making a  
8 determination as to whether to require a bond or other  
9 security, the Department shall take into consideration whether  
10 the owner, any partner, any manager or member of a limited  
11 liability company, or a corporate officer of the applicant is  
12 or has been the owner, a partner, a manager or member of a  
13 limited liability company, or a corporate officer of another  
14 retailer that is in default for moneys due under this Act or  
15 any other tax or fee Act administered by the Department; and  
16 whether the owner, any partner, any manager or member of a  
17 limited liability company, or a corporate officer of the  
18 applicant is or has been the owner, a partner, a manager or  
19 member of a limited liability company, or a corporate officer  
20 of another retailer whose certificate of registration has been  
21 revoked within the previous 5 years under this Act or any other  
22 tax or fee Act administered by the Department. If a bond or  
23 other security is required, the Department shall fix the amount  
24 of the bond or other security, taking into consideration the  
25 amount of money expected to become due from the applicant under  
26 this Act and under any other State tax law or municipal or



1 county tax ordinance or resolution under which the certificate  
2 of registration that is issued to the applicant under this Act  
3 will permit the applicant to engage in business without  
4 registering separately under such other law, ordinance, or  
5 resolution. The amount of security required by the Department  
6 shall be such as, in its opinion, will protect the State of  
7 Illinois against failure to pay the amount which may become due  
8 from the applicant under this Act and under any other State tax  
9 law or municipal or county tax ordinance or resolution under  
10 which the certificate of registration that is issued to the  
11 applicant under this Act will permit the applicant to engage in  
12 business without registering separately under such other law,  
13 ordinance or resolution, but the amount of the security  
14 required by the Department shall not exceed three times the  
15 amount of the applicant's average monthly tax liability, or  
16 \$50,000.00, whichever amount is lower.

17 No certificate of registration under this Act shall be  
18 issued by the Department until the applicant provides the  
19 Department with satisfactory security, if required, as herein  
20 provided for.

21 Upon receipt of the application for certificate of  
22 registration in proper form, and upon approval by the  
23 Department of the security furnished by the applicant, if  
24 required, the Department shall issue to such applicant a  
25 certificate of registration which shall permit the person to  
26 whom it is issued to engage in the business of selling tangible

1 personal property at retail in this State. The certificate of  
2 registration shall be conspicuously displayed at the place of  
3 business which the person so registered states in his  
4 application to be the principal place of business from which he  
5 engages in the business of selling tangible personal property  
6 at retail in this State.

7 No certificate of registration issued to a taxpayer who  
8 files returns required by this Act on a monthly basis shall be  
9 valid after the expiration of 5 years from the date of its  
10 issuance or last renewal. The expiration date of a  
11 sub-certificate of registration shall be that of the  
12 certificate of registration to which the sub-certificate  
13 relates. A certificate of registration shall automatically be  
14 renewed, subject to revocation as provided by this Act, for an  
15 additional 5 years from the date of its expiration unless  
16 otherwise notified by the Department as provided by this  
17 paragraph. Where a taxpayer to whom a certificate of  
18 registration is issued under this Act is in default to the  
19 State of Illinois for delinquent returns or for moneys due  
20 under this Act or any other State tax law or municipal or  
21 county ordinance administered or enforced by the Department,  
22 the Department shall, not less than 60 days before the  
23 expiration date of such certificate of registration, give  
24 notice to the taxpayer to whom the certificate was issued of  
25 the account period of the delinquent returns, the amount of  
26 tax, penalty and interest due and owing from the taxpayer, and

1 that the certificate of registration shall not be automatically  
2 renewed upon its expiration date unless the taxpayer, on or  
3 before the date of expiration, has filed and paid the  
4 delinquent returns or paid the defaulted amount in full. A  
5 taxpayer to whom such a notice is issued shall be deemed an  
6 applicant for renewal. The Department shall promulgate  
7 regulations establishing procedures for taxpayers who file  
8 returns on a monthly basis but desire and qualify to change to  
9 a quarterly or yearly filing basis and will no longer be  
10 subject to renewal under this Section, and for taxpayers who  
11 file returns on a yearly or quarterly basis but who desire or  
12 are required to change to a monthly filing basis and will be  
13 subject to renewal under this Section.

14 The Department may in its discretion approve renewal by an  
15 applicant who is in default if, at the time of application for  
16 renewal, the applicant files all of the delinquent returns or  
17 pays to the Department such percentage of the defaulted amount  
18 as may be determined by the Department and agrees in writing to  
19 waive all limitations upon the Department for collection of the  
20 remaining defaulted amount to the Department over a period not  
21 to exceed 5 years from the date of renewal of the certificate;  
22 however, no renewal application submitted by an applicant who  
23 is in default shall be approved if the immediately preceding  
24 renewal by the applicant was conditioned upon the installment  
25 payment agreement described in this Section. The payment  
26 agreement herein provided for shall be in addition to and not

1 in lieu of the security that may be required by this Section of  
2 a taxpayer who is no longer considered a prior continuous  
3 compliance taxpayer. The execution of the payment agreement as  
4 provided in this Act shall not toll the accrual of interest at  
5 the statutory rate.

6 The Department may suspend a certificate of registration if  
7 the Department finds that the person to whom the certificate of  
8 registration has been issued knowingly sold contraband  
9 cigarettes.

10 A certificate of registration issued under this Act more  
11 than 5 years before the effective date of this amendatory Act  
12 of 1989 shall expire and be subject to the renewal provisions  
13 of this Section on the next anniversary of the date of issuance  
14 of such certificate which occurs more than 6 months after the  
15 effective date of this amendatory Act of 1989. A certificate of  
16 registration issued less than 5 years before the effective date  
17 of this amendatory Act of 1989 shall expire and be subject to  
18 the renewal provisions of this Section on the 5th anniversary  
19 of the issuance of the certificate.

20 If the person so registered states that he operates other  
21 places of business from which he engages in the business of  
22 selling tangible personal property or taxable service at retail  
23 in this State, the Department shall furnish him with a  
24 sub-certificate of registration for each such place of  
25 business, and the applicant shall display the appropriate  
26 sub-certificate of registration at each such place of business.

1 All sub-certificates of registration shall bear the same  
2 registration number as that appearing upon the certificate of  
3 registration to which such sub-certificates relate.

4 If the applicant will sell tangible personal property at  
5 retail through vending machines, the Department shall furnish  
6 him with a sub-certificate of registration for each such  
7 vending machine, and the applicant shall display the  
8 appropriate sub-certificate of registration on each such  
9 vending machine by attaching the sub-certificate of  
10 registration to a conspicuous part of such vending machine. If  
11 a person who is registered to sell tangible personal property  
12 at retail through vending machines adds an additional vending  
13 machine or additional vending machines to the number of vending  
14 machines he or she uses in his or her business of selling  
15 tangible personal property at retail, he or she shall notify  
16 the Department, on a form prescribed by the Department, to  
17 request an additional sub-certificate or additional  
18 sub-certificates of registration, as applicable. With each  
19 such request, the applicant shall report the number of  
20 sub-certificates of registration he or she is requesting as  
21 well as the total number of vending machines from which he or  
22 she makes retail sales.

23 Where the same person engages in 2 or more businesses of  
24 selling tangible personal property or taxable service at retail  
25 in this State, which businesses are substantially different in  
26 character or engaged in under different trade names or engaged

1 in under other substantially dissimilar circumstances (so that  
2 it is more practicable, from an accounting, auditing or  
3 bookkeeping standpoint, for such businesses to be separately  
4 registered), the Department may require or permit such person  
5 (subject to the same requirements concerning the furnishing of  
6 security as those that are provided for hereinbefore in this  
7 Section as to each application for a certificate of  
8 registration) to apply for and obtain a separate certificate of  
9 registration for each such business or for any of such  
10 businesses, under a single certificate of registration  
11 supplemented by related sub-certificates of registration.

12 Any person who is registered under the "Retailers'  
13 Occupation Tax Act" as of March 8, 1963, and who, during the  
14 3-year period immediately prior to March 8, 1963, or during a  
15 continuous 3-year period part of which passed immediately  
16 before and the remainder of which passes immediately after  
17 March 8, 1963, has been so registered continuously and who is  
18 determined by the Department not to have been either delinquent  
19 or deficient in the payment of tax liability during that period  
20 under this Act or under any other State tax law or municipal or  
21 county tax ordinance or resolution under which the certificate  
22 of registration that is issued to the registrant under this Act  
23 will permit the registrant to engage in business without  
24 registering separately under such other law, ordinance or  
25 resolution, shall be considered to be a Prior Continuous  
26 Compliance taxpayer. Also any taxpayer who has, as verified by

1 the Department, faithfully and continuously complied with the  
2 condition of his bond or other security under the provisions of  
3 this Act for a period of 3 consecutive years shall be  
4 considered to be a Prior Continuous Compliance taxpayer.

5 Every Prior Continuous Compliance taxpayer shall be exempt  
6 from all requirements under this Act concerning the furnishing  
7 of a bond or other security as a condition precedent to his  
8 being authorized to engage in the business of selling tangible  
9 personal property or taxable service at retail in this State.

10 This exemption shall continue for each such taxpayer until such  
11 time as he may be determined by the Department to be delinquent  
12 in the filing of any returns, or is determined by the  
13 Department (either through the Department's issuance of a final  
14 assessment which has become final under the Act, or by the  
15 taxpayer's filing of a return which admits tax that is not paid  
16 to be due) to be delinquent or deficient in the paying of any  
17 tax under this Act or under any other State tax law or  
18 municipal or county tax ordinance or resolution under which the  
19 certificate of registration that is issued to the registrant  
20 under this Act will permit the registrant to engage in business  
21 without registering separately under such other law, ordinance  
22 or resolution, at which time that taxpayer shall become subject  
23 to all the financial responsibility requirements of this Act  
24 and, as a condition of being allowed to continue to engage in  
25 the business of selling tangible personal property or taxable  
26 service at retail, may be required to post bond or other

1 acceptable security with the Department covering liability  
2 which such taxpayer may thereafter incur. Any taxpayer who  
3 fails to pay an admitted or established liability under this  
4 Act may also be required to post bond or other acceptable  
5 security with this Department guaranteeing the payment of such  
6 admitted or established liability.

7 No certificate of registration shall be issued to any  
8 person who is in default to the State of Illinois for moneys  
9 due under this Act or under any other State tax law or  
10 municipal or county tax ordinance or resolution under which the  
11 certificate of registration that is issued to the applicant  
12 under this Act will permit the applicant to engage in business  
13 without registering separately under such other law, ordinance  
14 or resolution.

15 Any person aggrieved by any decision of the Department  
16 under this Section may, within 20 days after notice of such  
17 decision, protest and request a hearing, whereupon the  
18 Department shall give notice to such person of the time and  
19 place fixed for such hearing and shall hold a hearing in  
20 conformity with the provisions of this Act and then issue its  
21 final administrative decision in the matter to such person. In  
22 the absence of such a protest within 20 days, the Department's  
23 decision shall become final without any further determination  
24 being made or notice given.

25 With respect to security other than bonds (upon which the  
26 Department may sue in the event of a forfeiture), if the



1 taxpayer fails to pay, when due, any amount whose payment such  
2 security guarantees, the Department shall, after such  
3 liability is admitted by the taxpayer or established by the  
4 Department through the issuance of a final assessment that has  
5 become final under the law, convert the security which that  
6 taxpayer has furnished into money for the State, after first  
7 giving the taxpayer at least 10 days' written notice, by  
8 registered or certified mail, to pay the liability or forfeit  
9 such security to the Department. If the security consists of  
10 stocks or bonds or other securities which are listed on a  
11 public exchange, the Department shall sell such securities  
12 through such public exchange. If the security consists of an  
13 irrevocable bank letter of credit, the Department shall convert  
14 the security in the manner provided for in the Uniform  
15 Commercial Code. If the security consists of a bank certificate  
16 of deposit, the Department shall convert the security into  
17 money by demanding and collecting the amount of such bank  
18 certificate of deposit from the bank which issued such  
19 certificate. If the security consists of a type of stocks or  
20 other securities which are not listed on a public exchange, the  
21 Department shall sell such security to the highest and best  
22 bidder after giving at least 10 days' notice of the date, time  
23 and place of the intended sale by publication in the "State  
24 Official Newspaper". If the Department realizes more than the  
25 amount of such liability from the security, plus the expenses  
26 incurred by the Department in converting the security into

1 money, the Department shall pay such excess to the taxpayer who  
2 furnished such security, and the balance shall be paid into the  
3 State Treasury.

4 The Department shall discharge any surety and shall release  
5 and return any security deposited, assigned, pledged or  
6 otherwise provided to it by a taxpayer under this Section  
7 within 30 days after:

8 (1) such taxpayer becomes a Prior Continuous  
9 Compliance taxpayer; or

10 (2) such taxpayer has ceased to collect receipts on  
11 which he is required to remit tax to the Department, has  
12 filed a final tax return, and has paid to the Department an  
13 amount sufficient to discharge his remaining tax  
14 liability, as determined by the Department, under this Act  
15 and under every other State tax law or municipal or county  
16 tax ordinance or resolution under which the certificate of  
17 registration issued under this Act permits the registrant  
18 to engage in business without registering separately under  
19 such other law, ordinance or resolution. The Department  
20 shall make a final determination of the taxpayer's  
21 outstanding tax liability as expeditiously as possible  
22 after his final tax return has been filed; if the  
23 Department cannot make such final determination within 45  
24 days after receiving the final tax return, within such  
25 period it shall so notify the taxpayer, stating its reasons  
26 therefor.

1 (Source: P.A. 97-335, eff. 1-1-12; 98-496, eff. 1-1-14; 98-583,  
2 eff. 1-1-14; 98-756, eff. 7-16-14; 98-974, eff. 1-1-15.)

3 (35 ILCS 120/2b) (from Ch. 120, par. 441b)

4 Sec. 2b. The Department may, after notice and a hearing as  
5 provided herein, revoke the certificate of registration of any  
6 person who violates any of the provisions of this Act. Before  
7 revocation of a certificate of registration the Department  
8 shall, within 90 days after non-compliance and at least 7 days  
9 prior to the date of the hearing, give the person so accused  
10 notice in writing of the charge against him or her, and on the  
11 date designated shall conduct a hearing upon this matter. The  
12 lapse of such 90 day period shall not preclude the Department  
13 from conducting revocation proceedings at a later date if  
14 necessary. Any hearing held under this Section shall be  
15 conducted by the Director of Revenue or by any officer or  
16 employee of the Department designated, in writing, by the  
17 Director of Revenue.

18 Upon the hearing of any such proceeding, the Director of  
19 Revenue, or any officer or employee of the Department  
20 designated, in writing, by the Director of Revenue, may  
21 administer oaths and the Department may procure by its subpoena  
22 the attendance of witnesses and, by its subpoena duces tecum,  
23 the production of relevant books and papers. Any circuit court,  
24 upon application either of the accused or of the Department,  
25 may, by order duly entered, require the attendance of witnesses

1 and the production of relevant books and papers, before the  
2 Department in any hearing relating to the revocation of  
3 certificates of registration. Upon refusal or neglect to obey  
4 the order of the court, the court may compel obedience thereof  
5 by proceedings for contempt.

6 The Department may, by application to any circuit court,  
7 obtain an injunction restraining any person who engages in the  
8 business of selling tangible personal property or taxable  
9 service at retail in this State without a certificate of  
10 registration (either because the certificate of registration  
11 has been revoked or because of a failure to obtain a  
12 certificate of registration in the first instance) from  
13 engaging in such business until such person, as if he or she  
14 were a new applicant for a certificate of registration, shall  
15 comply with all of the conditions, restrictions and  
16 requirements of Section 2a of this Act and qualify for and  
17 obtain a certificate of registration. Upon refusal or neglect  
18 to obey the order of the court, the court may compel obedience  
19 thereof by proceedings for contempt.

20 It shall not be a defense in a proceeding before the  
21 Department to revoke a certificate of registration issued under  
22 the Act, or in any action by the Department to collect any tax  
23 due under this Act, that the holder of the certificate is a  
24 party to an installment payment agreement under Section 2a of  
25 this Act if the liability which is the basis of the revocation  
26 proceeding, or the tax that is sought to be collected: (1) was

1 incurred after the date of the agreement was approved by the  
2 Department; or (2) was incurred prior to the date the agreement  
3 was approved by the Department, but was not included in the  
4 agreement; or (3) was included in the agreement, but the  
5 taxpayer is in default of the agreement.

6 (Source: P.A. 86-338; 86-383; 86-1028.)

7 (35 ILCS 120/2c) (from Ch. 120, par. 441c)

8 Sec. 2c. If the purchaser is not registered with the  
9 Department as a taxpayer, but claims to be a reseller of the  
10 tangible personal property or taxable service in such a way  
11 that such resales are not taxable under this Act or under some  
12 other tax law which the Department may administer, such  
13 purchaser (except in the case of an out-of-State purchaser who  
14 will always resell and deliver the property to his customers  
15 outside Illinois) shall apply to the Department for a resale  
16 number. Such applicant shall state facts which will show the  
17 Department why such applicant is not liable for tax under this  
18 Act or under some other tax law which the Department may  
19 administer on any of his resales and shall furnish such  
20 additional information as the Department may reasonably  
21 require.

22 Upon approval of the application, the Department shall  
23 assign a resale number to the applicant and shall certify such  
24 number to him. The Department may cancel any such number which  
25 is obtained through misrepresentation, or which is used to make

1 a purchase tax-free when the purchase in fact is not a purchase  
2 for resale, or which no longer applies because of the  
3 purchaser's having discontinued the making of tax exempt  
4 resales of the property.

5 The Department may restrict the use of the number to one  
6 year at a time or to some other definite period if the  
7 Department finds it impracticable or otherwise inadvisable to  
8 issue such numbers for indefinite periods.

9 Except as provided hereinabove in this Section, a sale  
10 shall be made tax-free on the ground of being a sale for resale  
11 if the purchaser has an active registration number or resale  
12 number from the Department and furnishes that number to the  
13 seller in connection with certifying to the seller that any  
14 sale to such purchaser is nontaxable because of being a sale  
15 for resale.

16 Failure to present an active registration number or resale  
17 number and a certification to the seller that a sale is for  
18 resale creates a presumption that a sale is not for resale.  
19 This presumption may be rebutted by other evidence that all of  
20 the seller's sales are sale for resale, or that a particular  
21 sale is a sale for resale.

22 (Source: P.A. 83-1463.)

23 (35 ILCS 120/3) (from Ch. 120, par. 442)

24 Sec. 3. Except as provided in this Section, on or before  
25 the twentieth day of each calendar month, every person engaged

1 in the business of selling tangible personal property or  
2 taxable service at retail in this State during the preceding  
3 calendar month shall file a return with the Department,  
4 stating:

5 1. The name of the seller;

6 2. His residence address and the address of his  
7 principal place of business and the address of the  
8 principal place of business (if that is a different  
9 address) from which he engages in the business of selling  
10 tangible personal property or taxable service at retail in  
11 this State;

12 3. Total amount of receipts received by him during the  
13 preceding calendar month or quarter, as the case may be,  
14 from sales of tangible personal property and taxable  
15 service, and from services other than taxable services  
16 furnished, by him during such preceding calendar month or  
17 quarter;

18 4. Total amount received by him during the preceding  
19 calendar month or quarter on charge and time sales of  
20 tangible personal property and taxable service, and from  
21 services other than taxable services furnished, by him  
22 prior to the month or quarter for which the return is  
23 filed;

24 5. Deductions allowed by law;

25 6. Gross receipts which were received by him during the  
26 preceding calendar month or quarter and upon the basis of

1 which the tax is imposed;

2 7. The amount of credit provided in Section 2d of this  
3 Act;

4 8. The amount of tax due;

5 9. The signature of the taxpayer; and

6 10. Such other reasonable information as the  
7 Department may require.

8 If a taxpayer fails to sign a return within 30 days after  
9 the proper notice and demand for signature by the Department,  
10 the return shall be considered valid and any amount shown to be  
11 due on the return shall be deemed assessed.

12 Each return shall be accompanied by the statement of  
13 prepaid tax issued pursuant to Section 2e for which credit is  
14 claimed.

15 Prior to October 1, 2003, and on and after September 1,  
16 2004 a retailer may accept a Manufacturer's Purchase Credit  
17 certification from a purchaser in satisfaction of Use Tax as  
18 provided in Section 3-85 of the Use Tax Act if the purchaser  
19 provides the appropriate documentation as required by Section  
20 3-85 of the Use Tax Act. A Manufacturer's Purchase Credit  
21 certification, accepted by a retailer prior to October 1, 2003  
22 and on and after September 1, 2004 as provided in Section 3-85  
23 of the Use Tax Act, may be used by that retailer to satisfy  
24 Retailers' Occupation Tax liability in the amount claimed in  
25 the certification, not to exceed 6.25% of the receipts subject  
26 to tax from a qualifying purchase. A Manufacturer's Purchase



1 Credit reported on any original or amended return filed under  
2 this Act after October 20, 2003 for reporting periods prior to  
3 September 1, 2004 shall be disallowed. Manufacturer's  
4 Purchaser Credit reported on annual returns due on or after  
5 January 1, 2005 will be disallowed for periods prior to  
6 September 1, 2004. No Manufacturer's Purchase Credit may be  
7 used after September 30, 2003 through August 31, 2004 to  
8 satisfy any tax liability imposed under this Act, including any  
9 audit liability.

10 The Department may require returns to be filed on a  
11 quarterly basis. If so required, a return for each calendar  
12 quarter shall be filed on or before the twentieth day of the  
13 calendar month following the end of such calendar quarter. The  
14 taxpayer shall also file a return with the Department for each  
15 of the first two months of each calendar quarter, on or before  
16 the twentieth day of the following calendar month, stating:

17 1. The name of the seller;

18 2. The address of the principal place of business from  
19 which he engages in the business of selling tangible  
20 personal property at retail in this State;

21 3. The total amount of taxable receipts received by him  
22 during the preceding calendar month from sales of tangible  
23 personal property and taxable services by him during such  
24 preceding calendar month, including receipts from charge  
25 and time sales, but less all deductions allowed by law;

26 4. The amount of credit provided in Section 2d of this

1 Act;

2 5. The amount of tax due; and

3 6. Such other reasonable information as the Department  
4 may require.

5 Beginning on October 1, 2003, any person who is not a  
6 licensed distributor, importing distributor, or manufacturer,  
7 as defined in the Liquor Control Act of 1934, but is engaged in  
8 the business of selling, at retail, alcoholic liquor shall file  
9 a statement with the Department of Revenue, in a format and at  
10 a time prescribed by the Department, showing the total amount  
11 paid for alcoholic liquor purchased during the preceding month  
12 and such other information as is reasonably required by the  
13 Department. The Department may adopt rules to require that this  
14 statement be filed in an electronic or telephonic format. Such  
15 rules may provide for exceptions from the filing requirements  
16 of this paragraph. For the purposes of this paragraph, the term  
17 "alcoholic liquor" shall have the meaning prescribed in the  
18 Liquor Control Act of 1934.

19 Beginning on October 1, 2003, every distributor, importing  
20 distributor, and manufacturer of alcoholic liquor as defined in  
21 the Liquor Control Act of 1934, shall file a statement with the  
22 Department of Revenue, no later than the 10th day of the month  
23 for the preceding month during which transactions occurred, by  
24 electronic means, showing the total amount of gross receipts  
25 from the sale of alcoholic liquor sold or distributed during  
26 the preceding month to purchasers; identifying the purchaser to

1 whom it was sold or distributed; the purchaser's tax  
2 registration number; and such other information reasonably  
3 required by the Department. A distributor, importing  
4 distributor, or manufacturer of alcoholic liquor must  
5 personally deliver, mail, or provide by electronic means to  
6 each retailer listed on the monthly statement a report  
7 containing a cumulative total of that distributor's, importing  
8 distributor's, or manufacturer's total sales of alcoholic  
9 liquor to that retailer no later than the 10th day of the month  
10 for the preceding month during which the transaction occurred.  
11 The distributor, importing distributor, or manufacturer shall  
12 notify the retailer as to the method by which the distributor,  
13 importing distributor, or manufacturer will provide the sales  
14 information. If the retailer is unable to receive the sales  
15 information by electronic means, the distributor, importing  
16 distributor, or manufacturer shall furnish the sales  
17 information by personal delivery or by mail. For purposes of  
18 this paragraph, the term "electronic means" includes, but is  
19 not limited to, the use of a secure Internet website, e-mail,  
20 or facsimile.

21 If a total amount of less than \$1 is payable, refundable or  
22 creditable, such amount shall be disregarded if it is less than  
23 50 cents and shall be increased to \$1 if it is 50 cents or more.

24 Beginning October 1, 1993, a taxpayer who has an average  
25 monthly tax liability of \$150,000 or more shall make all  
26 payments required by rules of the Department by electronic

1 funds transfer. Beginning October 1, 1994, a taxpayer who has  
2 an average monthly tax liability of \$100,000 or more shall make  
3 all payments required by rules of the Department by electronic  
4 funds transfer. Beginning October 1, 1995, a taxpayer who has  
5 an average monthly tax liability of \$50,000 or more shall make  
6 all payments required by rules of the Department by electronic  
7 funds transfer. Beginning October 1, 2000, a taxpayer who has  
8 an annual tax liability of \$200,000 or more shall make all  
9 payments required by rules of the Department by electronic  
10 funds transfer. The term "annual tax liability" shall be the  
11 sum of the taxpayer's liabilities under this Act, and under all  
12 other State and local occupation and use tax laws administered  
13 by the Department, for the immediately preceding calendar year.  
14 The term "average monthly tax liability" shall be the sum of  
15 the taxpayer's liabilities under this Act, and under all other  
16 State and local occupation and use tax laws administered by the  
17 Department, for the immediately preceding calendar year  
18 divided by 12. Beginning on October 1, 2002, a taxpayer who has  
19 a tax liability in the amount set forth in subsection (b) of  
20 Section 2505-210 of the Department of Revenue Law shall make  
21 all payments required by rules of the Department by electronic  
22 funds transfer.

23 Before August 1 of each year beginning in 1993, the  
24 Department shall notify all taxpayers required to make payments  
25 by electronic funds transfer. All taxpayers required to make  
26 payments by electronic funds transfer shall make those payments

1 for a minimum of one year beginning on October 1.

2 Any taxpayer not required to make payments by electronic  
3 funds transfer may make payments by electronic funds transfer  
4 with the permission of the Department.

5 All taxpayers required to make payment by electronic funds  
6 transfer and any taxpayers authorized to voluntarily make  
7 payments by electronic funds transfer shall make those payments  
8 in the manner authorized by the Department.

9 The Department shall adopt such rules as are necessary to  
10 effectuate a program of electronic funds transfer and the  
11 requirements of this Section.

12 Any amount which is required to be shown or reported on any  
13 return or other document under this Act shall, if such amount  
14 is not a whole-dollar amount, be increased to the nearest  
15 whole-dollar amount in any case where the fractional part of a  
16 dollar is 50 cents or more, and decreased to the nearest  
17 whole-dollar amount where the fractional part of a dollar is  
18 less than 50 cents.

19 If the retailer is otherwise required to file a monthly  
20 return and if the retailer's average monthly tax liability to  
21 the Department does not exceed \$200, the Department may  
22 authorize his returns to be filed on a quarter annual basis,  
23 with the return for January, February and March of a given year  
24 being due by April 20 of such year; with the return for April,  
25 May and June of a given year being due by July 20 of such year;  
26 with the return for July, August and September of a given year

1 being due by October 20 of such year, and with the return for  
2 October, November and December of a given year being due by  
3 January 20 of the following year.

4 If the retailer is otherwise required to file a monthly or  
5 quarterly return and if the retailer's average monthly tax  
6 liability with the Department does not exceed \$50, the  
7 Department may authorize his returns to be filed on an annual  
8 basis, with the return for a given year being due by January 20  
9 of the following year.

10 Such quarter annual and annual returns, as to form and  
11 substance, shall be subject to the same requirements as monthly  
12 returns.

13 Notwithstanding any other provision in this Act concerning  
14 the time within which a retailer may file his return, in the  
15 case of any retailer who ceases to engage in a kind of business  
16 which makes him responsible for filing returns under this Act,  
17 such retailer shall file a final return under this Act with the  
18 Department not more than one month after discontinuing such  
19 business.

20 Where the same person has more than one business registered  
21 with the Department under separate registrations under this  
22 Act, such person may not file each return that is due as a  
23 single return covering all such registered businesses, but  
24 shall file separate returns for each such registered business.

25 In addition, with respect to motor vehicles, watercraft,  
26 aircraft, and trailers that are required to be registered with

1 an agency of this State, every retailer selling this kind of  
2 tangible personal property shall file, with the Department,  
3 upon a form to be prescribed and supplied by the Department, a  
4 separate return for each such item of tangible personal  
5 property which the retailer sells, except that if, in the same  
6 transaction, (i) a retailer of aircraft, watercraft, motor  
7 vehicles or trailers transfers more than one aircraft,  
8 watercraft, motor vehicle or trailer to another aircraft,  
9 watercraft, motor vehicle retailer or trailer retailer for the  
10 purpose of resale or (ii) a retailer of aircraft, watercraft,  
11 motor vehicles, or trailers transfers more than one aircraft,  
12 watercraft, motor vehicle, or trailer to a purchaser for use as  
13 a qualifying rolling stock as provided in Section 2-5 of this  
14 Act, then that seller may report the transfer of all aircraft,  
15 watercraft, motor vehicles or trailers involved in that  
16 transaction to the Department on the same uniform  
17 invoice-transaction reporting return form. For purposes of  
18 this Section, "watercraft" means a Class 2, Class 3, or Class 4  
19 watercraft as defined in Section 3-2 of the Boat Registration  
20 and Safety Act, a personal watercraft, or any boat equipped  
21 with an inboard motor.

22 Any retailer who sells only motor vehicles, watercraft,  
23 aircraft, or trailers that are required to be registered with  
24 an agency of this State, so that all retailers' occupation tax  
25 liability is required to be reported, and is reported, on such  
26 transaction reporting returns and who is not otherwise required

1 to file monthly or quarterly returns, need not file monthly or  
2 quarterly returns. However, those retailers shall be required  
3 to file returns on an annual basis.

4 The transaction reporting return, in the case of motor  
5 vehicles or trailers that are required to be registered with an  
6 agency of this State, shall be the same document as the Uniform  
7 Invoice referred to in Section 5-402 of The Illinois Vehicle  
8 Code and must show the name and address of the seller; the name  
9 and address of the purchaser; the amount of the selling price  
10 including the amount allowed by the retailer for traded-in  
11 property, if any; the amount allowed by the retailer for the  
12 traded-in tangible personal property, if any, to the extent to  
13 which Section 1 of this Act allows an exemption for the value  
14 of traded-in property; the balance payable after deducting such  
15 trade-in allowance from the total selling price; the amount of  
16 tax due from the retailer with respect to such transaction; the  
17 amount of tax collected from the purchaser by the retailer on  
18 such transaction (or satisfactory evidence that such tax is not  
19 due in that particular instance, if that is claimed to be the  
20 fact); the place and date of the sale; a sufficient  
21 identification of the property sold; such other information as  
22 is required in Section 5-402 of The Illinois Vehicle Code, and  
23 such other information as the Department may reasonably  
24 require.

25 The transaction reporting return in the case of watercraft  
26 or aircraft must show the name and address of the seller; the



1 name and address of the purchaser; the amount of the selling  
2 price including the amount allowed by the retailer for  
3 traded-in property, if any; the amount allowed by the retailer  
4 for the traded-in tangible personal property, if any, to the  
5 extent to which Section 1 of this Act allows an exemption for  
6 the value of traded-in property; the balance payable after  
7 deducting such trade-in allowance from the total selling price;  
8 the amount of tax due from the retailer with respect to such  
9 transaction; the amount of tax collected from the purchaser by  
10 the retailer on such transaction (or satisfactory evidence that  
11 such tax is not due in that particular instance, if that is  
12 claimed to be the fact); the place and date of the sale, a  
13 sufficient identification of the property sold, and such other  
14 information as the Department may reasonably require.

15 Such transaction reporting return shall be filed not later  
16 than 20 days after the day of delivery of the item that is  
17 being sold, but may be filed by the retailer at any time sooner  
18 than that if he chooses to do so. The transaction reporting  
19 return and tax remittance or proof of exemption from the  
20 Illinois use tax may be transmitted to the Department by way of  
21 the State agency with which, or State officer with whom the  
22 tangible personal property must be titled or registered (if  
23 titling or registration is required) if the Department and such  
24 agency or State officer determine that this procedure will  
25 expedite the processing of applications for title or  
26 registration.

1           With each such transaction reporting return, the retailer  
2 shall remit the proper amount of tax due (or shall submit  
3 satisfactory evidence that the sale is not taxable if that is  
4 the case), to the Department or its agents, whereupon the  
5 Department shall issue, in the purchaser's name, a use tax  
6 receipt (or a certificate of exemption if the Department is  
7 satisfied that the particular sale is tax exempt) which such  
8 purchaser may submit to the agency with which, or State officer  
9 with whom, he must title or register the tangible personal  
10 property that is involved (if titling or registration is  
11 required) in support of such purchaser's application for an  
12 Illinois certificate or other evidence of title or registration  
13 to such tangible personal property.

14           No retailer's failure or refusal to remit tax under this  
15 Act precludes a user, who has paid the proper tax to the  
16 retailer, from obtaining his certificate of title or other  
17 evidence of title or registration (if titling or registration  
18 is required) upon satisfying the Department that such user has  
19 paid the proper tax (if tax is due) to the retailer. The  
20 Department shall adopt appropriate rules to carry out the  
21 mandate of this paragraph.

22           If the user who would otherwise pay tax to the retailer  
23 wants the transaction reporting return filed and the payment of  
24 the tax or proof of exemption made to the Department before the  
25 retailer is willing to take these actions and such user has not  
26 paid the tax to the retailer, such user may certify to the fact

1 of such delay by the retailer and may (upon the Department  
2 being satisfied of the truth of such certification) transmit  
3 the information required by the transaction reporting return  
4 and the remittance for tax or proof of exemption directly to  
5 the Department and obtain his tax receipt or exemption  
6 determination, in which event the transaction reporting return  
7 and tax remittance (if a tax payment was required) shall be  
8 credited by the Department to the proper retailer's account  
9 with the Department, but without the 2.1% or 1.75% discount  
10 provided for in this Section being allowed. When the user pays  
11 the tax directly to the Department, he shall pay the tax in the  
12 same amount and in the same form in which it would be remitted  
13 if the tax had been remitted to the Department by the retailer.

14 Refunds made by the seller during the preceding return  
15 period to purchasers, on account of tangible personal property  
16 returned to the seller or taxable services not performed in  
17 full, shall be allowed as a deduction under subdivision 5 of  
18 his monthly or quarterly return, as the case may be, in case  
19 the seller had theretofore included the receipts from the sale  
20 of such tangible personal property in a return filed by him and  
21 had paid the tax imposed by this Act with respect to such  
22 receipts.

23 Where the seller is a corporation, the return filed on  
24 behalf of such corporation shall be signed by the president,  
25 vice-president, secretary or treasurer or by the properly  
26 accredited agent of such corporation.

1           Where the seller is a limited liability company, the return  
2 filed on behalf of the limited liability company shall be  
3 signed by a manager, member, or properly accredited agent of  
4 the limited liability company.

5           Except as provided in this Section, the retailer filing the  
6 return under this Section shall, at the time of filing such  
7 return, pay to the Department the amount of tax imposed by this  
8 Act less a discount of 2.1% prior to January 1, 1990 and 1.75%  
9 on and after January 1, 1990, or \$5 per calendar year,  
10 whichever is greater, which is allowed to reimburse the  
11 retailer for the expenses incurred in keeping records,  
12 preparing and filing returns, remitting the tax and supplying  
13 data to the Department on request. Any prepayment made pursuant  
14 to Section 2d of this Act shall be included in the amount on  
15 which such 2.1% or 1.75% discount is computed. In the case of  
16 retailers who report and pay the tax on a transaction by  
17 transaction basis, as provided in this Section, such discount  
18 shall be taken with each such tax remittance instead of when  
19 such retailer files his periodic return. The Department may  
20 disallow the discount for retailers whose certificate of  
21 registration is revoked at the time the return is filed, but  
22 only if the Department's decision to revoke the certificate of  
23 registration has become final.

24           Before October 1, 2000, if the taxpayer's average monthly  
25 tax liability to the Department under this Act, the Use Tax  
26 Act, the Service Occupation Tax Act, and the Service Use Tax

1 Act, excluding any liability for prepaid sales tax to be  
2 remitted in accordance with Section 2d of this Act, was \$10,000  
3 or more during the preceding 4 complete calendar quarters, he  
4 shall file a return with the Department each month by the 20th  
5 day of the month next following the month during which such tax  
6 liability is incurred and shall make payments to the Department  
7 on or before the 7th, 15th, 22nd and last day of the month  
8 during which such liability is incurred. On and after October  
9 1, 2000, if the taxpayer's average monthly tax liability to the  
10 Department under this Act, the Use Tax Act, the Service  
11 Occupation Tax Act, and the Service Use Tax Act, excluding any  
12 liability for prepaid sales tax to be remitted in accordance  
13 with Section 2d of this Act, was \$20,000 or more during the  
14 preceding 4 complete calendar quarters, he shall file a return  
15 with the Department each month by the 20th day of the month  
16 next following the month during which such tax liability is  
17 incurred and shall make payment to the Department on or before  
18 the 7th, 15th, 22nd and last day of the month during which such  
19 liability is incurred. If the month during which such tax  
20 liability is incurred began prior to January 1, 1985, each  
21 payment shall be in an amount equal to 1/4 of the taxpayer's  
22 actual liability for the month or an amount set by the  
23 Department not to exceed 1/4 of the average monthly liability  
24 of the taxpayer to the Department for the preceding 4 complete  
25 calendar quarters (excluding the month of highest liability and  
26 the month of lowest liability in such 4 quarter period). If the

1 month during which such tax liability is incurred begins on or  
2 after January 1, 1985 and prior to January 1, 1987, each  
3 payment shall be in an amount equal to 22.5% of the taxpayer's  
4 actual liability for the month or 27.5% of the taxpayer's  
5 liability for the same calendar month of the preceding year. If  
6 the month during which such tax liability is incurred begins on  
7 or after January 1, 1987 and prior to January 1, 1988, each  
8 payment shall be in an amount equal to 22.5% of the taxpayer's  
9 actual liability for the month or 26.25% of the taxpayer's  
10 liability for the same calendar month of the preceding year. If  
11 the month during which such tax liability is incurred begins on  
12 or after January 1, 1988, and prior to January 1, 1989, or  
13 begins on or after January 1, 1996, each payment shall be in an  
14 amount equal to 22.5% of the taxpayer's actual liability for  
15 the month or 25% of the taxpayer's liability for the same  
16 calendar month of the preceding year. If the month during which  
17 such tax liability is incurred begins on or after January 1,  
18 1989, and prior to January 1, 1996, each payment shall be in an  
19 amount equal to 22.5% of the taxpayer's actual liability for  
20 the month or 25% of the taxpayer's liability for the same  
21 calendar month of the preceding year or 100% of the taxpayer's  
22 actual liability for the quarter monthly reporting period. The  
23 amount of such quarter monthly payments shall be credited  
24 against the final tax liability of the taxpayer's return for  
25 that month. Before October 1, 2000, once applicable, the  
26 requirement of the making of quarter monthly payments to the

1 Department by taxpayers having an average monthly tax liability  
2 of \$10,000 or more as determined in the manner provided above  
3 shall continue until such taxpayer's average monthly liability  
4 to the Department during the preceding 4 complete calendar  
5 quarters (excluding the month of highest liability and the  
6 month of lowest liability) is less than \$9,000, or until such  
7 taxpayer's average monthly liability to the Department as  
8 computed for each calendar quarter of the 4 preceding complete  
9 calendar quarter period is less than \$10,000. However, if a  
10 taxpayer can show the Department that a substantial change in  
11 the taxpayer's business has occurred which causes the taxpayer  
12 to anticipate that his average monthly tax liability for the  
13 reasonably foreseeable future will fall below the \$10,000  
14 threshold stated above, then such taxpayer may petition the  
15 Department for a change in such taxpayer's reporting status. On  
16 and after October 1, 2000, once applicable, the requirement of  
17 the making of quarter monthly payments to the Department by  
18 taxpayers having an average monthly tax liability of \$20,000 or  
19 more as determined in the manner provided above shall continue  
20 until such taxpayer's average monthly liability to the  
21 Department during the preceding 4 complete calendar quarters  
22 (excluding the month of highest liability and the month of  
23 lowest liability) is less than \$19,000 or until such taxpayer's  
24 average monthly liability to the Department as computed for  
25 each calendar quarter of the 4 preceding complete calendar  
26 quarter period is less than \$20,000. However, if a taxpayer can

1 show the Department that a substantial change in the taxpayer's  
2 business has occurred which causes the taxpayer to anticipate  
3 that his average monthly tax liability for the reasonably  
4 foreseeable future will fall below the \$20,000 threshold stated  
5 above, then such taxpayer may petition the Department for a  
6 change in such taxpayer's reporting status. The Department  
7 shall change such taxpayer's reporting status unless it finds  
8 that such change is seasonal in nature and not likely to be  
9 long term. If any such quarter monthly payment is not paid at  
10 the time or in the amount required by this Section, then the  
11 taxpayer shall be liable for penalties and interest on the  
12 difference between the minimum amount due as a payment and the  
13 amount of such quarter monthly payment actually and timely  
14 paid, except insofar as the taxpayer has previously made  
15 payments for that month to the Department in excess of the  
16 minimum payments previously due as provided in this Section.  
17 The Department shall make reasonable rules and regulations to  
18 govern the quarter monthly payment amount and quarter monthly  
19 payment dates for taxpayers who file on other than a calendar  
20 monthly basis.

21 The provisions of this paragraph apply before October 1,  
22 2001. Without regard to whether a taxpayer is required to make  
23 quarter monthly payments as specified above, any taxpayer who  
24 is required by Section 2d of this Act to collect and remit  
25 prepaid taxes and has collected prepaid taxes which average in  
26 excess of \$25,000 per month during the preceding 2 complete



1 calendar quarters, shall file a return with the Department as  
2 required by Section 2f and shall make payments to the  
3 Department on or before the 7th, 15th, 22nd and last day of the  
4 month during which such liability is incurred. If the month  
5 during which such tax liability is incurred began prior to  
6 September 1, 1985 (the effective date of Public Act 84-221)  
7 ~~this amendatory Act of 1985~~, each payment shall be in an amount  
8 not less than 22.5% of the taxpayer's actual liability under  
9 Section 2d. If the month during which such tax liability is  
10 incurred begins on or after January 1, 1986, each payment shall  
11 be in an amount equal to 22.5% of the taxpayer's actual  
12 liability for the month or 27.5% of the taxpayer's liability  
13 for the same calendar month of the preceding calendar year. If  
14 the month during which such tax liability is incurred begins on  
15 or after January 1, 1987, each payment shall be in an amount  
16 equal to 22.5% of the taxpayer's actual liability for the month  
17 or 26.25% of the taxpayer's liability for the same calendar  
18 month of the preceding year. The amount of such quarter monthly  
19 payments shall be credited against the final tax liability of  
20 the taxpayer's return for that month filed under this Section  
21 or Section 2f, as the case may be. Once applicable, the  
22 requirement of the making of quarter monthly payments to the  
23 Department pursuant to this paragraph shall continue until such  
24 taxpayer's average monthly prepaid tax collections during the  
25 preceding 2 complete calendar quarters is \$25,000 or less. If  
26 any such quarter monthly payment is not paid at the time or in

1 the amount required, the taxpayer shall be liable for penalties  
2 and interest on such difference, except insofar as the taxpayer  
3 has previously made payments for that month in excess of the  
4 minimum payments previously due.

5 The provisions of this paragraph apply on and after October  
6 1, 2001. Without regard to whether a taxpayer is required to  
7 make quarter monthly payments as specified above, any taxpayer  
8 who is required by Section 2d of this Act to collect and remit  
9 prepaid taxes and has collected prepaid taxes that average in  
10 excess of \$20,000 per month during the preceding 4 complete  
11 calendar quarters shall file a return with the Department as  
12 required by Section 2f and shall make payments to the  
13 Department on or before the 7th, 15th, 22nd and last day of the  
14 month during which the liability is incurred. Each payment  
15 shall be in an amount equal to 22.5% of the taxpayer's actual  
16 liability for the month or 25% of the taxpayer's liability for  
17 the same calendar month of the preceding year. The amount of  
18 the quarter monthly payments shall be credited against the  
19 final tax liability of the taxpayer's return for that month  
20 filed under this Section or Section 2f, as the case may be.  
21 Once applicable, the requirement of the making of quarter  
22 monthly payments to the Department pursuant to this paragraph  
23 shall continue until the taxpayer's average monthly prepaid tax  
24 collections during the preceding 4 complete calendar quarters  
25 (excluding the month of highest liability and the month of  
26 lowest liability) is less than \$19,000 or until such taxpayer's

1 average monthly liability to the Department as computed for  
2 each calendar quarter of the 4 preceding complete calendar  
3 quarters is less than \$20,000. If any such quarter monthly  
4 payment is not paid at the time or in the amount required, the  
5 taxpayer shall be liable for penalties and interest on such  
6 difference, except insofar as the taxpayer has previously made  
7 payments for that month in excess of the minimum payments  
8 previously due.

9 If any payment provided for in this Section exceeds the  
10 taxpayer's liabilities under this Act, the Use Tax Act, the  
11 Service Occupation Tax Act and the Service Use Tax Act, as  
12 shown on an original monthly return, the Department shall, if  
13 requested by the taxpayer, issue to the taxpayer a credit  
14 memorandum no later than 30 days after the date of payment. The  
15 credit evidenced by such credit memorandum may be assigned by  
16 the taxpayer to a similar taxpayer under this Act, the Use Tax  
17 Act, the Service Occupation Tax Act or the Service Use Tax Act,  
18 in accordance with reasonable rules and regulations to be  
19 prescribed by the Department. If no such request is made, the  
20 taxpayer may credit such excess payment against tax liability  
21 subsequently to be remitted to the Department under this Act,  
22 the Use Tax Act, the Service Occupation Tax Act or the Service  
23 Use Tax Act, in accordance with reasonable rules and  
24 regulations prescribed by the Department. If the Department  
25 subsequently determined that all or any part of the credit  
26 taken was not actually due to the taxpayer, the taxpayer's 2.1%

1 and 1.75% vendor's discount shall be reduced by 2.1% or 1.75%  
2 of the difference between the credit taken and that actually  
3 due, and that taxpayer shall be liable for penalties and  
4 interest on such difference.

5 If a retailer of motor fuel is entitled to a credit under  
6 Section 2d of this Act which exceeds the taxpayer's liability  
7 to the Department under this Act for the month which the  
8 taxpayer is filing a return, the Department shall issue the  
9 taxpayer a credit memorandum for the excess.

10 Beginning January 1, 1990, each month the Department shall  
11 pay into the Local Government Tax Fund, a special fund in the  
12 State treasury which is hereby created, the net revenue  
13 realized for the preceding month from the 1% tax on sales of  
14 food for human consumption which is to be consumed off the  
15 premises where it is sold (other than alcoholic beverages, soft  
16 drinks and food which has been prepared for immediate  
17 consumption) and prescription and nonprescription medicines,  
18 drugs, medical appliances, products classified as Class III  
19 medical devices by the United States Food and Drug  
20 Administration that are used for cancer treatment pursuant to a  
21 prescription, as well as any accessories and components related  
22 to those devices, and insulin, urine testing materials,  
23 syringes and needles used by diabetics.

24 Beginning January 1, 1990, each month the Department shall  
25 pay into the County and Mass Transit District Fund, a special  
26 fund in the State treasury which is hereby created, 4% of the

1 net revenue realized for the preceding month from the 6.25%  
2 general rate.

3 Beginning August 1, 2000, each month the Department shall  
4 pay into the County and Mass Transit District Fund 20% of the  
5 net revenue realized for the preceding month from the 1.25%  
6 rate on the selling price of motor fuel and gasohol. Beginning  
7 September 1, 2010, each month the Department shall pay into the  
8 County and Mass Transit District Fund 20% of the net revenue  
9 realized for the preceding month from the 1.25% rate on the  
10 selling price of sales tax holiday items.

11 Beginning January 1, 1990, each month the Department shall  
12 pay into the Local Government Tax Fund 16% of the net revenue  
13 realized for the preceding month from the 6.25% general rate on  
14 the selling price of tangible personal property.

15 From July 1, 2017 through June 30, 2018, no deposits shall  
16 be made into the County and Mass Transit District Fund or the  
17 Local Government Tax Fund from the net revenue realized from  
18 the 6.25% general rate on taxable services. Beginning July 1,  
19 2018 and through June 30, 2019, each month the Department shall  
20 pay into the County and Mass Transit District Fund 1.4% of the  
21 net revenue realized for the preceding month from the 6.25%  
22 general rate on the selling price of taxable services and shall  
23 pay into the Local Government Tax Fund 5.6% of the net revenue  
24 realized for the preceding month from the 6.25% general rate on  
25 the selling price of taxable services. Beginning July 1, 2019  
26 and through June 30, 2020, each month the Department shall pay

1 into the County and Mass Transit District Fund 2.6% of the net  
2 revenue realized for the preceding month from the 6.25% general  
3 rate on the selling price of taxable services and shall pay  
4 into the Local Government Tax Fund 10.4% of the net revenue  
5 realized for the preceding month from the 6.25% general rate on  
6 the selling price of taxable services. Beginning July 1, 2020,  
7 each month the Department shall pay into the County and Mass  
8 Transit District Fund 4% of the net revenue realized for the  
9 preceding month from the 6.25% general rate on the selling  
10 price of taxable services and shall pay into the Local  
11 Government Tax Fund 16% of the net revenue realized for the  
12 preceding month from the 6.25% general rate on the selling  
13 price of taxable services.

14       Beginning August 1, 2000, each month the Department shall  
15 pay into the Local Government Tax Fund 80% of the net revenue  
16 realized for the preceding month from the 1.25% rate on the  
17 selling price of motor fuel and gasohol. Beginning September 1,  
18 2010, each month the Department shall pay into the Local  
19 Government Tax Fund 80% of the net revenue realized for the  
20 preceding month from the 1.25% rate on the selling price of  
21 sales tax holiday items.

22       Beginning October 1, 2009, each month the Department shall  
23 pay into the Capital Projects Fund an amount that is equal to  
24 an amount estimated by the Department to represent 80% of the  
25 net revenue realized for the preceding month from the sale of  
26 candy, grooming and hygiene products, and soft drinks that had

1 been taxed at a rate of 1% prior to September 1, 2009 but that  
2 are now taxed at 6.25%.

3 Beginning July 1, 2011, each month the Department shall pay  
4 into the Clean Air Act Permit Fund 80% of the net revenue  
5 realized for the preceding month from the 6.25% general rate on  
6 the selling price of sorbents used in Illinois in the process  
7 of sorbent injection as used to comply with the Environmental  
8 Protection Act or the federal Clean Air Act, but the total  
9 payment into the Clean Air Act Permit Fund under this Act and  
10 the Use Tax Act shall not exceed \$2,000,000 in any fiscal year.

11 Beginning July 1, 2013, each month the Department shall pay  
12 into the Underground Storage Tank Fund from the proceeds  
13 collected under this Act, the Use Tax Act, the Service Use Tax  
14 Act, and the Service Occupation Tax Act an amount equal to the  
15 average monthly deficit in the Underground Storage Tank Fund  
16 during the prior year, as certified annually by the Illinois  
17 Environmental Protection Agency, but the total payment into the  
18 Underground Storage Tank Fund under this Act, the Use Tax Act,  
19 the Service Use Tax Act, and the Service Occupation Tax Act  
20 shall not exceed \$18,000,000 in any State fiscal year. As used  
21 in this paragraph, the "average monthly deficit" shall be equal  
22 to the difference between the average monthly claims for  
23 payment by the fund and the average monthly revenues deposited  
24 into the fund, excluding payments made pursuant to this  
25 paragraph.

26 Beginning July 1, 2015, of the remainder of the moneys

1 received by the Department under the Use Tax Act, the Service  
2 Use Tax Act, the Service Occupation Tax Act, and this Act, each  
3 month the Department shall deposit \$500,000 into the State  
4 Crime Laboratory Fund.

5 Of the remainder of the moneys received by the Department  
6 pursuant to this Act, (a) 1.75% thereof shall be paid into the  
7 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on  
8 and after July 1, 1989, 3.8% thereof shall be paid into the  
9 Build Illinois Fund; provided, however, that if in any fiscal  
10 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case  
11 may be, of the moneys received by the Department and required  
12 to be paid into the Build Illinois Fund pursuant to this Act,  
13 Section 9 of the Use Tax Act, Section 9 of the Service Use Tax  
14 Act, and Section 9 of the Service Occupation Tax Act, such Acts  
15 being hereinafter called the "Tax Acts" and such aggregate of  
16 2.2% or 3.8%, as the case may be, of moneys being hereinafter  
17 called the "Tax Act Amount", and (2) the amount transferred to  
18 the Build Illinois Fund from the State and Local Sales Tax  
19 Reform Fund shall be less than the Annual Specified Amount (as  
20 hereinafter defined), an amount equal to the difference shall  
21 be immediately paid into the Build Illinois Fund from other  
22 moneys received by the Department pursuant to the Tax Acts; the  
23 "Annual Specified Amount" means the amounts specified below for  
24 fiscal years 1986 through 1993:

Fiscal Year	Annual Specified Amount
1986	\$54,800,000



1	1987	\$76,650,000
2	1988	\$80,480,000
3	1989	\$88,510,000
4	1990	\$115,330,000
5	1991	\$145,470,000
6	1992	\$182,730,000
7	1993	\$206,520,000;

8 and means the Certified Annual Debt Service Requirement (as  
9 defined in Section 13 of the Build Illinois Bond Act) or the  
10 Tax Act Amount, whichever is greater, for fiscal year 1994 and  
11 each fiscal year thereafter; and further provided, that if on  
12 the last business day of any month the sum of (1) the Tax Act  
13 Amount required to be deposited into the Build Illinois Bond  
14 Account in the Build Illinois Fund during such month and (2)  
15 the amount transferred to the Build Illinois Fund from the  
16 State and Local Sales Tax Reform Fund shall have been less than  
17 1/12 of the Annual Specified Amount, an amount equal to the  
18 difference shall be immediately paid into the Build Illinois  
19 Fund from other moneys received by the Department pursuant to  
20 the Tax Acts; and, further provided, that in no event shall the  
21 payments required under the preceding proviso result in  
22 aggregate payments into the Build Illinois Fund pursuant to  
23 this clause (b) for any fiscal year in excess of the greater of  
24 (i) the Tax Act Amount or (ii) the Annual Specified Amount for  
25 such fiscal year. The amounts payable into the Build Illinois  
26 Fund under clause (b) of the first sentence in this paragraph

1 shall be payable only until such time as the aggregate amount  
2 on deposit under each trust indenture securing Bonds issued and  
3 outstanding pursuant to the Build Illinois Bond Act is  
4 sufficient, taking into account any future investment income,  
5 to fully provide, in accordance with such indenture, for the  
6 defeasance of or the payment of the principal of, premium, if  
7 any, and interest on the Bonds secured by such indenture and on  
8 any Bonds expected to be issued thereafter and all fees and  
9 costs payable with respect thereto, all as certified by the  
10 Director of the Bureau of the Budget (now Governor's Office of  
11 Management and Budget). If on the last business day of any  
12 month in which Bonds are outstanding pursuant to the Build  
13 Illinois Bond Act, the aggregate of moneys deposited in the  
14 Build Illinois Bond Account in the Build Illinois Fund in such  
15 month shall be less than the amount required to be transferred  
16 in such month from the Build Illinois Bond Account to the Build  
17 Illinois Bond Retirement and Interest Fund pursuant to Section  
18 13 of the Build Illinois Bond Act, an amount equal to such  
19 deficiency shall be immediately paid from other moneys received  
20 by the Department pursuant to the Tax Acts to the Build  
21 Illinois Fund; provided, however, that any amounts paid to the  
22 Build Illinois Fund in any fiscal year pursuant to this  
23 sentence shall be deemed to constitute payments pursuant to  
24 clause (b) of the first sentence of this paragraph and shall  
25 reduce the amount otherwise payable for such fiscal year  
26 pursuant to that clause (b). The moneys received by the

1 Department pursuant to this Act and required to be deposited  
2 into the Build Illinois Fund are subject to the pledge, claim  
3 and charge set forth in Section 12 of the Build Illinois Bond  
4 Act.

5 Subject to payment of amounts into the Build Illinois Fund  
6 as provided in the preceding paragraph or in any amendment  
7 thereto hereafter enacted, the following specified monthly  
8 installment of the amount requested in the certificate of the  
9 Chairman of the Metropolitan Pier and Exposition Authority  
10 provided under Section 8.25f of the State Finance Act, but not  
11 in excess of sums designated as "Total Deposit", shall be  
12 deposited in the aggregate from collections under Section 9 of  
13 the Use Tax Act, Section 9 of the Service Use Tax Act, Section  
14 9 of the Service Occupation Tax Act, and Section 3 of the  
15 Retailers' Occupation Tax Act into the McCormick Place  
16 Expansion Project Fund in the specified fiscal years.

	Fiscal Year	Total Deposit
17		
18	1993	\$0
19	1994	53,000,000
20	1995	58,000,000
21	1996	61,000,000
22	1997	64,000,000
23	1998	68,000,000
24	1999	71,000,000
25	2000	75,000,000

1	2001	80,000,000
2	2002	93,000,000
3	2003	99,000,000
4	2004	103,000,000
5	2005	108,000,000
6	2006	113,000,000
7	2007	119,000,000
8	2008	126,000,000
9	2009	132,000,000
10	2010	139,000,000
11	2011	146,000,000
12	2012	153,000,000
13	2013	161,000,000
14	2014	170,000,000
15	2015	179,000,000
16	2016	189,000,000
17	2017	199,000,000
18	2018	210,000,000
19	2019	221,000,000
20	2020	233,000,000
21	2021	246,000,000
22	2022	260,000,000
23	2023	275,000,000
24	2024	275,000,000
25	2025	275,000,000
26	2026	279,000,000

1	2027	292,000,000
2	2028	307,000,000
3	2029	322,000,000
4	2030	338,000,000
5	2031	350,000,000
6	2032	350,000,000

7 and

8 each fiscal year

9 thereafter that bonds

10 are outstanding under

11 Section 13.2 of the

12 Metropolitan Pier and

13 Exposition Authority Act,

14 but not after fiscal year 2060.

15 Beginning July 20, 1993 and in each month of each fiscal  
16 year thereafter, one-eighth of the amount requested in the  
17 certificate of the Chairman of the Metropolitan Pier and  
18 Exposition Authority for that fiscal year, less the amount  
19 deposited into the McCormick Place Expansion Project Fund by  
20 the State Treasurer in the respective month under subsection  
21 (g) of Section 13 of the Metropolitan Pier and Exposition  
22 Authority Act, plus cumulative deficiencies in the deposits  
23 required under this Section for previous months and years,  
24 shall be deposited into the McCormick Place Expansion Project  
25 Fund, until the full amount requested for the fiscal year, but  
26 not in excess of the amount specified above as "Total Deposit",

1 has been deposited.

2 Subject to payment of amounts into the Build Illinois Fund  
3 and the McCormick Place Expansion Project Fund pursuant to the  
4 preceding paragraphs or in any amendments thereto hereafter  
5 enacted, beginning July 1, 1993 and ending on September 30,  
6 2013, the Department shall each month pay into the Illinois Tax  
7 Increment Fund 0.27% of 80% of the net revenue realized for the  
8 preceding month from the 6.25% general rate on the selling  
9 price of tangible personal property.

10 Subject to payment of amounts into the Build Illinois Fund  
11 and the McCormick Place Expansion Project Fund pursuant to the  
12 preceding paragraphs or in any amendments thereto hereafter  
13 enacted, beginning with the receipt of the first report of  
14 taxes paid by an eligible business and continuing for a 25-year  
15 period, the Department shall each month pay into the Energy  
16 Infrastructure Fund 80% of the net revenue realized from the  
17 6.25% general rate on the selling price of Illinois-mined coal  
18 that was sold to an eligible business. For purposes of this  
19 paragraph, the term "eligible business" means a new electric  
20 generating facility certified pursuant to Section 605-332 of  
21 the Department of Commerce and Economic Opportunity Law of the  
22 Civil Administrative Code of Illinois.

23 Subject to payment of amounts into the Build Illinois Fund,  
24 the McCormick Place Expansion Project Fund, the Illinois Tax  
25 Increment Fund, and the Energy Infrastructure Fund pursuant to  
26 the preceding paragraphs or in any amendments to this Section

1 hereafter enacted, beginning on the first day of the first  
2 calendar month to occur on or after August 26, 2014 (the  
3 effective date of Public Act 98-1098) ~~this amendatory Act of~~  
4 ~~the 98th General Assembly~~, each month, from the collections  
5 made under Section 9 of the Use Tax Act, Section 9 of the  
6 Service Use Tax Act, Section 9 of the Service Occupation Tax  
7 Act, and Section 3 of the Retailers' Occupation Tax Act, the  
8 Department shall pay into the Tax Compliance and Administration  
9 Fund, to be used, subject to appropriation, to fund additional  
10 auditors and compliance personnel at the Department of Revenue,  
11 an amount equal to 1/12 of 5% of 80% of the cash receipts  
12 collected during the preceding fiscal year by the Audit Bureau  
13 of the Department under the Use Tax Act, the Service Use Tax  
14 Act, the Service Occupation Tax Act, the Retailers' Occupation  
15 Tax Act, and associated local occupation and use taxes  
16 administered by the Department.

17 Of the remainder of the moneys received by the Department  
18 pursuant to this Act, 75% thereof shall be paid into the State  
19 Treasury and 25% shall be reserved in a special account and  
20 used only for the transfer to the Common School Fund as part of  
21 the monthly transfer from the General Revenue Fund in  
22 accordance with Section 8a of the State Finance Act.

23 The Department may, upon separate written notice to a  
24 taxpayer, require the taxpayer to prepare and file with the  
25 Department on a form prescribed by the Department within not  
26 less than 60 days after receipt of the notice an annual

1 information return for the tax year specified in the notice.  
2 Such annual return to the Department shall include a statement  
3 of gross receipts as shown by the retailer's last Federal  
4 income tax return. If the total receipts of the business as  
5 reported in the Federal income tax return do not agree with the  
6 gross receipts reported to the Department of Revenue for the  
7 same period, the retailer shall attach to his annual return a  
8 schedule showing a reconciliation of the 2 amounts and the  
9 reasons for the difference. The retailer's annual return to the  
10 Department shall also disclose the cost of goods sold by the  
11 retailer during the year covered by such return, opening and  
12 closing inventories of such goods for such year, costs of goods  
13 used from stock or taken from stock and given away by the  
14 retailer during such year, payroll information of the  
15 retailer's business during such year and any additional  
16 reasonable information which the Department deems would be  
17 helpful in determining the accuracy of the monthly, quarterly  
18 or annual returns filed by such retailer as provided for in  
19 this Section.

20 If the annual information return required by this Section  
21 is not filed when and as required, the taxpayer shall be liable  
22 as follows:

23 (i) Until January 1, 1994, the taxpayer shall be liable  
24 for a penalty equal to 1/6 of 1% of the tax due from such  
25 taxpayer under this Act during the period to be covered by  
26 the annual return for each month or fraction of a month



1           until such return is filed as required, the penalty to be  
2           assessed and collected in the same manner as any other  
3           penalty provided for in this Act.

4           (ii) On and after January 1, 1994, the taxpayer shall  
5           be liable for a penalty as described in Section 3-4 of the  
6           Uniform Penalty and Interest Act.

7           The chief executive officer, proprietor, owner or highest  
8           ranking manager shall sign the annual return to certify the  
9           accuracy of the information contained therein. Any person who  
10          willfully signs the annual return containing false or  
11          inaccurate information shall be guilty of perjury and punished  
12          accordingly. The annual return form prescribed by the  
13          Department shall include a warning that the person signing the  
14          return may be liable for perjury.

15          The provisions of this Section concerning the filing of an  
16          annual information return do not apply to a retailer who is not  
17          required to file an income tax return with the United States  
18          Government.

19          As soon as possible after the first day of each month, upon  
20          certification of the Department of Revenue, the Comptroller  
21          shall order transferred and the Treasurer shall transfer from  
22          the General Revenue Fund to the Motor Fuel Tax Fund an amount  
23          equal to 1.7% of 80% of the net revenue realized under this Act  
24          for the second preceding month. Beginning April 1, 2000, this  
25          transfer is no longer required and shall not be made.

26          Net revenue realized for a month shall be the revenue

1 collected by the State pursuant to this Act, less the amount  
2 paid out during that month as refunds to taxpayers for  
3 overpayment of liability.

4 For greater simplicity of administration, manufacturers,  
5 importers and wholesalers whose products are sold at retail in  
6 Illinois by numerous retailers, and who wish to do so, may  
7 assume the responsibility for accounting and paying to the  
8 Department all tax accruing under this Act with respect to such  
9 sales, if the retailers who are affected do not make written  
10 objection to the Department to this arrangement.

11 Any person who promotes, organizes, provides retail  
12 selling space for concessionaires or other types of sellers at  
13 the Illinois State Fair, DuQuoin State Fair, county fairs,  
14 local fairs, art shows, flea markets and similar exhibitions or  
15 events, including any transient merchant as defined by Section  
16 2 of the Transient Merchant Act of 1987, is required to file a  
17 report with the Department providing the name of the merchant's  
18 business, the name of the person or persons engaged in  
19 merchant's business, the permanent address and Illinois  
20 Retailers Occupation Tax Registration Number of the merchant,  
21 the dates and location of the event and other reasonable  
22 information that the Department may require. The report must be  
23 filed not later than the 20th day of the month next following  
24 the month during which the event with retail sales was held.  
25 Any person who fails to file a report required by this Section  
26 commits a business offense and is subject to a fine not to

1 exceed \$250.

2 Any person engaged in the business of selling tangible  
3 personal property or taxable service at retail as a  
4 concessionaire or other type of seller at the Illinois State  
5 Fair, county fairs, art shows, flea markets and similar  
6 exhibitions or events, or any transient merchants, as defined  
7 by Section 2 of the Transient Merchant Act of 1987, may be  
8 required to make a daily report of the amount of such sales to  
9 the Department and to make a daily payment of the full amount  
10 of tax due. The Department shall impose this requirement when  
11 it finds that there is a significant risk of loss of revenue to  
12 the State at such an exhibition or event. Such a finding shall  
13 be based on evidence that a substantial number of  
14 concessionaires or other sellers who are not residents of  
15 Illinois will be engaging in the business of selling tangible  
16 personal property or taxable service at retail at the  
17 exhibition or event, or other evidence of a significant risk of  
18 loss of revenue to the State. The Department shall notify  
19 concessionaires and other sellers affected by the imposition of  
20 this requirement. In the absence of notification by the  
21 Department, the concessionaires and other sellers shall file  
22 their returns as otherwise required in this Section.

23 (Source: P.A. 98-24, eff. 6-19-13; 98-109, eff. 7-25-13;  
24 98-496, eff. 1-1-14; 98-756, eff. 7-16-14; 98-1098, eff.  
25 8-26-14; 99-352, eff. 8-12-15; 99-858, eff. 8-19-16; 99-933,  
26 eff. 1-27-17; revised 2-3-17.)

1 (35 ILCS 120/7) (from Ch. 120, par. 446)

2 Sec. 7. Every person engaged in the business of selling  
3 tangible personal property or taxable service at retail in this  
4 State shall keep records and books of all sales of tangible  
5 personal property, together with invoices, bills of lading,  
6 sales records, copies of bills of sale, inventories prepared as  
7 of December 31 of each year or otherwise annually as has been  
8 the custom in the specific trade and other pertinent papers and  
9 documents. Every person who is engaged in the business of  
10 selling tangible personal property or taxable service at retail  
11 in this State and who, in connection with such business, also  
12 engages in other activities (including, but not limited to,  
13 engaging in a service occupation not subject to tax under this  
14 Act) shall keep such additional records and books of all such  
15 activities as will accurately reflect the character and scope  
16 of such activities and the amount of receipts realized  
17 therefrom. The Department may adopt rules that establish  
18 requirements, including record forms and formats, for records  
19 required to be kept and maintained by taxpayers. For purposes  
20 of this Section, "records" means all data maintained by the  
21 taxpayer, including data on paper, microfilm, microfiche or any  
22 type of machine-sensible data compilation.

23 All books and records and other papers and documents which  
24 are required by this Act to be kept shall be kept in the  
25 English language and shall, at all times during business hours

1 of the day, be subject to inspection by the Department or its  
2 duly authorized agents and employees.

3 To support deductions made on the tax return form, or  
4 authorized under this Act, on account of receipts from isolated  
5 or occasional sales of tangible personal property or taxable  
6 service, on account of receipts from sales of tangible personal  
7 property or taxable service for resale, on account of receipts  
8 from sales to governmental bodies or other exempted types of  
9 purchasers, on account of receipts from sales of tangible  
10 personal property or taxable service in interstate commerce,  
11 and on account of receipts from any other kind of transaction  
12 that is not taxable under this Act, entries in any books,  
13 records or other pertinent papers or documents of the taxpayer  
14 in relation thereto shall be in detail sufficient to show the  
15 name and address of the taxpayer's customer in each such  
16 transaction, the character of every such transaction, the date  
17 of every such transaction, the amount of receipts realized from  
18 every such transaction and such other information as may be  
19 necessary to establish the non-taxable character of such  
20 transaction under this Act.

21 Except in the case of a sale to a purchaser who will always  
22 resell and deliver the property to his customers outside  
23 Illinois, anyone claiming that he has made a nontaxable sale  
24 for resale in some form as tangible personal property shall  
25 also keep a record of the purchaser's registration number or  
26 resale number with the Department.

1           It shall be presumed that all sales of tangible personal  
2 property or taxable service are subject to tax under this Act  
3 until the contrary is established, and the burden of proving  
4 that a transaction is not taxable hereunder shall be upon the  
5 person who would be required to remit the tax to the Department  
6 if such transaction is taxable. In the course of any audit or  
7 investigation or hearing by the Department with reference to a  
8 given taxpayer, if the Department finds that the taxpayer lacks  
9 documentary evidence needed to support the taxpayer's claim to  
10 exemption from tax hereunder, the Department is authorized to  
11 notify the taxpayer in writing to produce such evidence, and  
12 the taxpayer shall have 60 days subject to the right in the  
13 Department to extend this period either on request for good  
14 cause shown or on its own motion from the date when such notice  
15 is sent to the taxpayer by certified or registered mail (or  
16 delivered to the taxpayer if the notice is served personally)  
17 in which to obtain and produce such evidence for the  
18 Department's inspection, failing which the matter shall be  
19 closed, and the transaction shall be conclusively presumed to  
20 be taxable hereunder.

21           Books and records and other papers reflecting gross  
22 receipts received during any period with respect to which the  
23 Department is authorized to issue notices of tax liability as  
24 provided by Sections 4 and 5 of this Act shall be preserved  
25 until the expiration of such period unless the Department, in  
26 writing, shall authorize their destruction or disposal prior to

1 such expiration.

2 (Source: P.A. 88-480.)

3 (35 ILCS 120/13) (from Ch. 120, par. 452)

4 Sec. 13. Criminal penalties.

5 (a) When the amount due is under \$300, any person engaged  
6 in the business of selling tangible personal property or  
7 taxable service at retail in this State who fails to file a  
8 return, or who files a fraudulent return, or any officer,  
9 employee or agent of a corporation, member, employee or agent  
10 of a partnership, or manager, member, agent, or employee of a  
11 limited liability company engaged in the business of selling  
12 tangible personal property or taxable service at retail in this  
13 State who, as such officer, employee, agent, manager, or member  
14 is under a duty to file a return, or any officer, agent or  
15 employee of a corporation, member, agent, or employee of a  
16 partnership, or manager, member, agent, or employee of a  
17 limited liability company engaged in the business of selling  
18 tangible personal property or taxable service at retail in this  
19 State who files or causes to be filed or signs or causes to be  
20 signed a fraudulent return filed on behalf of such corporation  
21 or limited liability company, or any accountant or other agent  
22 who knowingly enters false information on the return of any  
23 taxpayer under this Act, is guilty of a Class 4 felony.

24 Any person who or any officer or director of any  
25 corporation, partner or member of any partnership, or manager

1 or member of a limited liability company that: (a) violates  
2 Section 2a of this Act or (b) fails to keep books and records,  
3 or fails to produce books and records as required by Section 7  
4 or (c) willfully violates a rule or regulation of the  
5 Department for the administration and enforcement of this Act  
6 is guilty of a Class A misdemeanor. Any person, manager or  
7 member of a limited liability company, or officer or director  
8 of any corporation who engages in the business of selling  
9 tangible personal property at retail after the certificate of  
10 registration of that person, corporation, limited liability  
11 company, or partnership has been revoked is guilty of a Class A  
12 misdemeanor. Each day such person, corporation, or partnership  
13 is engaged in business without a certificate of registration or  
14 after the certificate of registration of that person,  
15 corporation, or partnership has been revoked constitutes a  
16 separate offense.

17 Any purchaser who obtains a registration number or resale  
18 number from the Department through misrepresentation, or who  
19 represents to a seller that such purchaser has a registration  
20 number or a resale number from the Department when he knows  
21 that he does not, or who uses his registration number or resale  
22 number to make a seller believe that he is buying tangible  
23 personal property for resale when such purchaser in fact knows  
24 that this is not the case is guilty of a Class 4 felony.

25 Any distributor, supplier or other reseller of motor fuel  
26 registered pursuant to Section 2a or 2c of this Act who fails



1 to collect the prepaid tax on invoiced gallons of motor fuel  
2 sold or who fails to deliver a statement of tax paid to the  
3 purchaser or to the Department as required by Sections 2d and  
4 2e of this Act, respectively, shall be guilty of a Class A  
5 misdemeanor if the amount due is under \$300, and a Class 4  
6 felony if the amount due is \$300 or more.

7 When the amount due is under \$300, any person who accepts  
8 money that is due to the Department under this Act from a  
9 taxpayer for the purpose of acting as the taxpayer's agent to  
10 make the payment to the Department, but who fails to remit such  
11 payment to the Department when due is guilty of a Class 4  
12 felony.

13 Any seller who collects or attempts to collect an amount  
14 (however designated) which purports to reimburse such seller  
15 for retailers' occupation tax liability measured by receipts  
16 which such seller knows are not subject to retailers'  
17 occupation tax, or any seller who knowingly over-collects or  
18 attempts to over-collect an amount purporting to reimburse such  
19 seller for retailers' occupation tax liability in a transaction  
20 which is subject to the tax that is imposed by this Act, shall  
21 be guilty of a Class 4 felony for each such offense. This  
22 paragraph does not apply to an amount collected by the seller  
23 as reimbursement for the seller's retailers' occupation tax  
24 liability on receipts which are subject to tax under this Act  
25 as long as such collection is made in compliance with the tax  
26 collection brackets prescribed by the Department in its Rules

1 and Regulations.

2       When the amount due is \$300 or more, any person engaged in  
3 the business of selling tangible personal property or taxable  
4 service at retail in this State who fails to file a return, or  
5 who files a fraudulent return, or any officer, employee or  
6 agent of a corporation, member, employee or agent of a  
7 partnership, or manager, member, agent, or employee of a  
8 limited liability company engaged in the business of selling  
9 tangible personal property or taxable service at retail in this  
10 State who, as such officer, employee, agent, manager, or member  
11 is under a duty to file a return and who fails to file such  
12 return or any officer, agent, or employee of a corporation,  
13 member, agent or employee of a partnership, or manager, member,  
14 agent, or employee of a limited liability company engaged in  
15 the business of selling tangible personal property or taxable  
16 service at retail in this State who files or causes to be filed  
17 or signs or causes to be signed a fraudulent return filed on  
18 behalf of such corporation or limited liability company, or any  
19 accountant or other agent who knowingly enters false  
20 information on the return of any taxpayer under this Act is  
21 guilty of a Class 3 felony.

22       When the amount due is \$300 or more, any person engaged in  
23 the business of selling tangible personal property at retail in  
24 this State who accepts money that is due to the Department  
25 under this Act from a taxpayer for the purpose of acting as the  
26 taxpayer's agent to make payment to the Department but fails to

1 remit such payment to the Department when due, is guilty of a  
2 Class 3 felony.

3 Any person whose principal place of business is in this  
4 State and who is charged with a violation under this Section  
5 shall be tried in the county where his principal place of  
6 business is located unless he asserts a right to be tried in  
7 another venue.

8 Any taxpayer or agent of a taxpayer who with the intent to  
9 defraud purports to make a payment due to the Department by  
10 issuing or delivering a check or other order upon a real or  
11 fictitious depository for the payment of money, knowing that it  
12 will not be paid by the depository, shall be guilty of a  
13 deceptive practice in violation of Section 17-1 of the Criminal  
14 Code of 2012.

15 (b) A person commits the offense of sales tax evasion under  
16 this Act when he knowingly attempts in any manner to evade or  
17 defeat the tax imposed on him or on any other person, or the  
18 payment thereof, and he commits an affirmative act in  
19 furtherance of the evasion. For purposes of this Section, an  
20 "affirmative act in furtherance of the evasion" means an act  
21 designed in whole or in part to (i) conceal, misrepresent,  
22 falsify, or manipulate any material fact or (ii) tamper with or  
23 destroy documents or materials related to a person's tax  
24 liability under this Act. Two or more acts of sales tax evasion  
25 may be charged as a single count in any indictment,  
26 information, or complaint and the amount of tax deficiency may

1 be aggregated for purposes of determining the amount of tax  
2 which is attempted to be or is evaded and the period between  
3 the first and last acts may be alleged as the date of the  
4 offense.

5 (1) When the amount of tax, the assessment or payment  
6 of which is attempted to be or is evaded is less than \$500  
7 a person is guilty of a Class 4 felony.

8 (2) When the amount of tax, the assessment or payment  
9 of which is attempted to be or is evaded is \$500 or more  
10 but less than \$10,000, a person is guilty of a Class 3  
11 felony.

12 (3) When the amount of tax, the assessment or payment  
13 of which is attempted to be or is evaded is \$10,000 or more  
14 but less than \$100,000, a person is guilty of a Class 2  
15 felony.

16 (4) When the amount of tax, the assessment or payment  
17 of which is attempted to be or is evaded is \$100,000 or  
18 more, a person is guilty of a Class 1 felony.

19 Any person who knowingly sells, purchases, installs,  
20 transfers, possesses, uses, or accesses any automated sales  
21 suppression device, zapper, or phantom-ware in this State is  
22 guilty of a Class 3 felony.

23 For the purposes of this Section:

24 "Automated sales suppression device" or "zapper" means a  
25 software program that falsifies the electronic records of an  
26 electronic cash register or other point-of-sale system,

1 including, but not limited to, transaction data and transaction  
2 reports. The term includes the software program, any device  
3 that carries the software program, or an Internet link to the  
4 software program.

5 "Phantom-ware" means a hidden programming option embedded  
6 in the operating system of an electronic cash register or  
7 hardwired into an electronic cash register that can be used to  
8 create a second set of records or that can eliminate or  
9 manipulate transaction records in an electronic cash register.

10 "Electronic cash register" means a device that keeps a  
11 register or supporting documents through the use of an  
12 electronic device or computer system designed to record  
13 transaction data for the purpose of computing, compiling, or  
14 processing retail sales transaction data in any manner.

15 "Transaction data" includes: items purchased by a  
16 customer; the price of each item; a taxability determination  
17 for each item; a segregated tax amount for each taxed item; the  
18 amount of cash or credit tendered; the net amount returned to  
19 the customer in change; the date and time of the purchase; the  
20 name, address, and identification number of the vendor; and the  
21 receipt or invoice number of the transaction.

22 "Transaction report" means a report that documents,  
23 without limitation, the sales, taxes, or fees collected, media  
24 totals, and discount voids at an electronic cash register and  
25 that is printed on a cash register tape at the end of a day or  
26 shift, or a report that documents every action at an electronic

1 cash register and is stored electronically.

2 (c) A prosecution for any act in violation of this Section  
3 may be commenced at any time within 5 years of the commission  
4 of that act.

5 (Source: P.A. 97-1074, eff. 1-1-13; 97-1150, eff. 1-25-13;  
6 98-352, eff. 1-1-14.)

7 Section 30-50. The Counties Code is amended by changing  
8 Section 5-1009 and by adding Section 5-1008.10 as follows:

9 (55 ILCS 5/5-1008.10 new)

10 Sec. 5-1008.10. Taxable services. Notwithstanding any  
11 other provision of law, whenever a home rule or non-home rule  
12 county is authorized to impose a tax on the use or sale of  
13 tangible personal property, that county shall also be  
14 authorized to impose a tax at the same rate on taxable  
15 services, as defined in Section 2a-2 of the Use Tax Act.

16 (55 ILCS 5/5-1009) (from Ch. 34, par. 5-1009)

17 Sec. 5-1009. Limitation on home rule powers. Except as  
18 provided in Sections 5-1006, 5-1006.5, 5-1007 and 5-1008, on  
19 and after September 1, 1990, no home rule county has the  
20 authority to impose, pursuant to its home rule authority, a  
21 retailer's occupation tax, service occupation tax, use tax,  
22 sales tax or other tax on the (i) use, sale or purchase of  
23 tangible personal property based on the gross receipts from

1 ~~such sales or the~~ selling or purchase price, (ii) gross  
2 receipts, or (iii) weight or volume from the use, sale, or  
3 purchase of that ~~said~~ tangible personal property.

4 Notwithstanding the foregoing, this Section does not preempt  
5 any home rule imposed tax such as the following: (1) a tax on  
6 alcoholic beverages, whether based on gross receipts, volume  
7 sold or any other measurement; (2) a tax based on the number of  
8 units of cigarettes or tobacco products; (3) a tax, however  
9 measured, based on the use of a hotel or motel room or similar  
10 facility; (4) a tax, however measured, on the sale or transfer  
11 of real property; (5) a tax, however measured, on lease  
12 receipts; (6) a tax on food prepared for immediate consumption  
13 and on alcoholic beverages sold by a business which provides  
14 for on premise consumption of said food or alcoholic beverages;  
15 ~~or~~ (7) other taxes not based on the selling or purchase price  
16 or gross receipts from the use, sale or purchase of tangible  
17 personal property; or (8) a tax on the sale of taxable  
18 services, as defined in the Use Tax Act. This Section does not

19 preempt a home rule county from imposing a tax, however  
20 measured, on the use, for consideration, of a parking lot,  
21 garage, or other parking facility. This Section is a  
22 limitation, pursuant to subsection (g) of Section 6 of Article  
23 VII of the Illinois Constitution, on the power of home rule  
24 units to tax.

25 (Source: P.A. 97-1168, eff. 3-8-13; 97-1169, eff. 3-8-13.)

1 Section 30-55. The Illinois Municipal Code is amended by  
2 changing Section 8-11-6a and by adding Sections 8-3-20 as  
3 follows:

4 (65 ILCS 5/8-3-20 new)

5 Sec. 8-3-20. Taxable services. Notwithstanding any other  
6 provision of law, whenever a home rule or non-home rule  
7 municipality is authorized to impose a tax on the use or sale  
8 of tangible personal property, that municipality shall also be  
9 authorized to impose a tax at the same rate on taxable  
10 services, as defined in Section 2a-2 of the Use Tax Act.

11 (65 ILCS 5/8-11-6a) (from Ch. 24, par. 8-11-6a)

12 Sec. 8-11-6a. Home rule municipalities; preemption of  
13 certain taxes. Except as provided in Sections 8-11-1, 8-11-5,  
14 8-11-6, 8-11-6b, 8-11-6c, and 11-74.3-6 on and after September  
15 1, 1990, no home rule municipality has the authority to impose,  
16 pursuant to its home rule authority, a retailer's occupation  
17 tax, service occupation tax, use tax, sales tax or other tax ~~on~~  
18 ~~the use, sale or purchase of tangible personal property based~~  
19 ~~on~~ (i) the selling or purchase price, (ii) the gross receipts,  
20 or (iii) the weight or volume from the use, sale, or purchase  
21 ~~from such sales or the selling or purchase price of said~~  
22 tangible personal property. Notwithstanding the foregoing,  
23 this Section does not preempt any home rule imposed tax such as  
24 the following: (1) a tax on alcoholic beverages, whether based



1 on gross receipts, volume sold or any other measurement; (2) a  
2 tax based on the number of units of cigarettes or tobacco  
3 products (provided, however, that a home rule municipality that  
4 has not imposed a tax based on the number of units of  
5 cigarettes or tobacco products before July 1, 1993, shall not  
6 impose such a tax after that date); (3) a tax, however  
7 measured, based on the use of a hotel or motel room or similar  
8 facility; (4) a tax, however measured, on the sale or transfer  
9 of real property; (5) a tax, however measured, on lease  
10 receipts; (6) a tax on food prepared for immediate consumption  
11 and on alcoholic beverages sold by a business which provides  
12 for on premise consumption of said food or alcoholic beverages;  
13 ~~or~~ (7) other taxes not based on (i) the selling or purchase  
14 price, (ii) the ~~or~~ gross receipts, or (iii) the weight or  
15 volume from the use, sale or purchase of tangible personal  
16 property; or (8) a tax on the sale of taxable services, as  
17 defined in the Use Tax Act. This Section does not preempt a  
18 home rule municipality with a population of more than 2,000,000  
19 from imposing a tax, however measured, on the use, for  
20 consideration, of a parking lot, garage, or other parking  
21 facility. This Section is not intended to affect any existing  
22 tax on food and beverages prepared for immediate consumption on  
23 the premises where the sale occurs, or any existing tax on  
24 alcoholic beverages, or any existing tax imposed on the charge  
25 for renting a hotel or motel room, which was in effect January  
26 15, 1988, or any extension of the effective date of such an

1 existing tax by ordinance of the municipality imposing the tax,  
2 which extension is hereby authorized, in any non-home rule  
3 municipality in which the imposition of such a tax has been  
4 upheld by judicial determination, nor is this Section intended  
5 to preempt the authority granted by Public Act 85-1006. This  
6 Section is a limitation, pursuant to subsection (g) of Section  
7 6 of Article VII of the Illinois Constitution, on the power of  
8 home rule units to tax.

9 (Source: P.A. 97-1168, eff. 3-8-13; 97-1169, eff. 3-8-13.)

10 Section 30-65. The Illinois False Claims Act is amended by  
11 changing Section 3 as follows:

12 (740 ILCS 175/3) (from Ch. 127, par. 4103)

13 Sec. 3. False claims.

14 (a) Liability for certain acts.

15 (1) In general, any person who:

16 (A) knowingly presents, or causes to be presented,  
17 a false or fraudulent claim for payment or approval;

18 (B) knowingly makes, uses, or causes to be made or  
19 used, a false record or statement material to a false  
20 or fraudulent claim;

21 (C) conspires to commit a violation of  
22 subparagraph (A), (B), (D), (E), (F), or (G);

23 (D) has possession, custody, or control of  
24 property or money used, or to be used, by the State and

1            knowingly delivers, or causes to be delivered, less  
2            than all the money or property;

3            (E) is authorized to make or deliver a document  
4            certifying receipt of property used, or to be used, by  
5            the State and, intending to defraud the State, makes or  
6            delivers the receipt without completely knowing that  
7            the information on the receipt is true;

8            (F) knowingly buys, or receives as a pledge of an  
9            obligation or debt, public property from an officer or  
10           employee of the State, or a member of the Guard, who  
11           lawfully may not sell or pledge property; or

12           (G) knowingly makes, uses, or causes to be made or  
13           used, a false record or statement material to an  
14           obligation to pay or transmit money or property to the  
15           State, or knowingly conceals or knowingly and  
16           improperly avoids or decreases an obligation to pay or  
17           transmit money or property to the State,  
18           is liable to the State for a civil penalty of not less than  
19           \$5,500 and not more than \$11,000, plus 3 times the amount  
20           of damages which the State sustains because of the act of  
21           that person. The penalties in this Section are intended to  
22           be remedial rather than punitive, and shall not preclude,  
23           nor be precluded by, a criminal prosecution for the same  
24           conduct.

25           (2) A person violating this subsection shall also be  
26           liable to the State for the costs of a civil action brought

1 to recover any such penalty or damages.

2 (b) Definitions. For purposes of this Section:

3 (1) The terms "knowing" and "knowingly":

4 (A) mean that a person, with respect to  
5 information:

6 (i) has actual knowledge of the information;

7 (ii) acts in deliberate ignorance of the truth  
8 or falsity of the information; or

9 (iii) acts in reckless disregard of the truth  
10 or falsity of the information, and

11 (B) require no proof of specific intent to defraud.

12 (2) The term "claim":

13 (A) means any request or demand, whether under a  
14 contract or otherwise, for money or property and  
15 whether or not the State has title to the money or  
16 property, that

17 (i) is presented to an officer, employee, or  
18 agent of the State; or

19 (ii) is made to a contractor, grantee, or other  
20 recipient, if the money or property is to be spent  
21 or used on the State's behalf or to advance a State  
22 program or interest, and if the State:

23 (I) provides or has provided any portion  
24 of the money or property requested or demanded;  
25 or

26 (II) will reimburse such contractor,

1 grantee, or other recipient for any portion of  
2 the money or property which is requested or  
3 demanded; and

4 (B) does not include requests or demands for money  
5 or property that the State has paid to an individual as  
6 compensation for State employment or as an income  
7 subsidy with no restrictions on that individual's use  
8 of the money or property.

9 (3) The term "obligation" means an established duty,  
10 whether or not fixed, arising from an express or implied  
11 contractual, grantor-grantee, or licensor-licensee  
12 relationship, from a fee-based or similar relationship,  
13 from statute or regulation, or from the retention of any  
14 overpayment.

15 (4) The term "material" means having a natural tendency  
16 to influence, or be capable of influencing, the payment or  
17 receipt of money or property.

18 (c) Exclusion. This Section does not apply to any taxes  
19 imposed, collected, or administered by the State of Illinois  
20 claims, records, or statements made under the Illinois Income  
21 Tax Act.

22 (Source: P.A. 95-128, eff. 1-1-08; 96-1304, eff. 7-27-10.)

23 Section 30-70. The Limited Liability Company Act is amended  
24 by changing Section 50-10 as follows:

1 (805 ILCS 180/50-10)

2 (Text of Section before amendment by P.A. 99-637)

3 Sec. 50-10. Fees.

4 (a) The Secretary of State shall charge and collect in  
5 accordance with the provisions of this Act and rules  
6 promulgated under its authority all of the following:

7 (1) Fees for filing documents.

8 (2) Miscellaneous charges.

9 (3) Fees for the sale of lists of filings and for  
10 copies of any documents.

11 (b) The Secretary of State shall charge and collect for all  
12 of the following:

13 (1) Filing articles of organization (domestic),  
14 application for admission (foreign), and restated articles  
15 of organization (domestic), \$39 ~~\$500~~. Notwithstanding the  
16 foregoing, the fee for filing articles of organization  
17 (domestic), application for admission (foreign), and  
18 restated articles of organization (domestic) in connection  
19 with a limited liability company with ability to establish  
20 series pursuant to Section 37-40 of this Act is \$59 ~~\$750~~.

21 (2) Filing articles of amendment or an amended  
22 application for admission, \$150.

23 (3) Filing articles of dissolution or application for  
24 withdrawal, \$100.

25 (4) Filing an application to reserve a name, \$300.

26 (5) Filing a notice of cancellation of a reserved name,

1           \$100.

2           (6) Filing a notice of a transfer of a reserved name,  
3           \$100.

4           (7) Registration of a name, \$300.

5           (8) Renewal of registration of a name, \$100.

6           (9) Filing an application for use of an assumed name  
7           under Section 1-20 of this Act, \$150 for each year or part  
8           thereof ending in 0 or 5, \$120 for each year or part  
9           thereof ending in 1 or 6, \$90 for each year or part thereof  
10          ending in 2 or 7, \$60 for each year or part thereof ending  
11          in 3 or 8, \$30 for each year or part thereof ending in 4 or  
12          9, and a renewal for each assumed name, \$150.

13          (10) Filing an application for change or cancellation  
14          of an assumed name, \$100.

15          (11) Filing an annual report of a limited liability  
16          company or foreign limited liability company, \$250, if  
17          filed as required by this Act, plus a penalty if  
18          delinquent. Notwithstanding the foregoing, the fee for  
19          filing an annual report of a limited liability company or  
20          foreign limited liability company with ability to  
21          establish series is \$250 plus \$50 for each series for which  
22          a certificate of designation has been filed pursuant to  
23          Section 37-40 of this Act and active on the last day of the  
24          third month preceding the company's anniversary month,  
25          plus a penalty if delinquent.

26          (12) Filing an application for reinstatement of a

1 limited liability company or foreign limited liability  
2 company \$500.

3 (13) Filing Articles of Merger, \$100 plus \$50 for each  
4 party to the merger in excess of the first 2 parties.

5 (14) Filing an Agreement of Conversion or Statement of  
6 Conversion, \$100.

7 (15) Filing a statement of change of address of  
8 registered office or change of registered agent, or both,  
9 or filing a statement of correction, \$25.

10 (16) Filing a petition for refund, \$15.

11 (17) Filing any other document, \$100.

12 (18) Filing a certificate of designation of a limited  
13 liability company with the ability to establish series  
14 pursuant to Section 37-40 of this Act, \$50.

15 (c) The Secretary of State shall charge and collect all of  
16 the following:

17 (1) For furnishing a copy or certified copy of any  
18 document, instrument, or paper relating to a limited  
19 liability company or foreign limited liability company, or  
20 for a certificate, \$25.

21 (2) For the transfer of information by computer process  
22 media to any purchaser, fees established by rule.

23 (Source: P.A. 97-839, eff. 7-20-12.)

24 (Text of Section after amendment by P.A. 99-637)

25 Sec. 50-10. Fees.



1 (a) The Secretary of State shall charge and collect in  
2 accordance with the provisions of this Act and rules  
3 promulgated under its authority all of the following:

4 (1) Fees for filing documents.

5 (2) Miscellaneous charges.

6 (3) Fees for the sale of lists of filings and for  
7 copies of any documents.

8 (b) The Secretary of State shall charge and collect for all  
9 of the following:

10 (1) Filing articles of organization (domestic),  
11 application for admission (foreign), and restated articles  
12 of organization (domestic), \$39 ~~\$500~~. Notwithstanding the  
13 foregoing, the fee for filing articles of organization  
14 (domestic), application for admission (foreign), and  
15 restated articles of organization (domestic) in connection  
16 with a limited liability company with a series or the  
17 ability to establish a series pursuant to Section 37-40 of  
18 this Act is \$59 ~~\$750~~.

19 (2) Filing amendments (domestic or foreign), \$150.

20 (3) Filing a statement of termination or application  
21 for withdrawal, \$25.

22 (4) Filing an application to reserve a name, \$300.

23 (5) Filing a notice of cancellation of a reserved name,  
24 \$100.

25 (6) Filing a notice of a transfer of a reserved name,  
26 \$100.

1 (7) Registration of a name, \$300.

2 (8) Renewal of registration of a name, \$100.

3 (9) Filing an application for use of an assumed name  
4 under Section 1-20 of this Act, \$150 for each year or part  
5 thereof ending in 0 or 5, \$120 for each year or part  
6 thereof ending in 1 or 6, \$90 for each year or part thereof  
7 ending in 2 or 7, \$60 for each year or part thereof ending  
8 in 3 or 8, \$30 for each year or part thereof ending in 4 or  
9 9, and a renewal for each assumed name, \$150.

10 (10) Filing an application for change or cancellation  
11 of an assumed name, \$100.

12 (11) Filing an annual report of a limited liability  
13 company or foreign limited liability company, \$250, if  
14 filed as required by this Act, plus a penalty if  
15 delinquent. Notwithstanding the foregoing, the fee for  
16 filing an annual report of a limited liability company or  
17 foreign limited liability company is \$250 plus \$50 for each  
18 series for which a certificate of designation has been  
19 filed pursuant to Section 37-40 of this Act and is in  
20 effect on the last day of the third month preceding the  
21 company's anniversary month, plus a penalty if delinquent.

22 (12) Filing an application for reinstatement of a  
23 limited liability company or foreign limited liability  
24 company \$500.

25 (13) Filing articles of merger, \$100 plus \$50 for each  
26 party to the merger in excess of the first 2 parties.

1 (14) Filing articles of conversion, \$100.

2 (15) Filing a statement of change of address of  
3 registered office or change of registered agent, or both,  
4 or filing a statement of correction, \$25.

5 (16) Filing a petition for refund, \$15.

6 (17) Filing a certificate of designation of a limited  
7 liability company with a series pursuant to Section 37-40  
8 of this Act, \$50.

9 (18) Filing articles of domestication, \$100.

10 (19) Filing, amending, or cancelling a statement of  
11 authority, \$50.

12 (20) Filing, amending, or cancelling a statement of  
13 denial, \$10.

14 (21) Filing any other document, \$100.

15 (c) The Secretary of State shall charge and collect all of  
16 the following:

17 (1) For furnishing a copy or certified copy of any  
18 document, instrument, or paper relating to a limited  
19 liability company or foreign limited liability company, or  
20 for a certificate, \$25.

21 (2) For the transfer of information by computer process  
22 media to any purchaser, fees established by rule.

23 (Source: P.A. 99-637, eff. 7-1-17.)

24 ARTICLE 95. NO ACCELERATION OR DELAY

1           Section 95-995. No acceleration or delay. Where this Act  
2 makes changes in a statute that is represented in this Act by  
3 text that is not yet or no longer in effect (for example, a  
4 Section represented by multiple versions), the use of that text  
5 does not accelerate or delay the taking effect of (i) the  
6 changes made by this Act or (ii) provisions derived from any  
7 other Public Act.

8   ARTICLE 99. EFFECTIVE DATE

9           Section 99-999. Effective date. This Act takes effect upon  
10 becoming law, but this Act does not take effect at all unless  
11 Senate Bills 1, 3, 4, 5, 6, 7, 8, 10, 12, 13, and 16 of the  
12 100th General Assembly become law.".