



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

SB0742

Introduced 1/30/2017, by Sen. Linda Holmes

SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-5	
35 ILCS 105/3-50	from Ch. 120, par. 439.3-50
35 ILCS 105/3-85	
35 ILCS 110/2	from Ch. 120, par. 439.32
35 ILCS 110/3-5	
35 ILCS 110/3-70	
35 ILCS 115/2	from Ch. 120, par. 439.102
35 ILCS 115/3-5	
35 ILCS 120/2-5	
35 ILCS 120/2-45	from Ch. 120, par. 441-45

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that, beginning on August 31, 2014, graphic arts machinery and equipment is included in the manufacturing and assembling machinery and equipment exemption. Provides that the manufacturing and assembling machinery and equipment exemption is exempt from the Acts' automatic sunset provisions. Provides that the Manufacturer's Purchase Credit for purchases of graphic arts machinery and equipment applies permanently on and after September 1, 2004. Effective immediately.

LRB100 08877 HLH 19020 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Use Tax Act is amended by changing Sections
5 3-5, 3-50, and 3-85 as follows:

6 (35 ILCS 105/3-5)

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

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

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

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

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

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

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

1 the car is subject to the Replacement Vehicle Tax.

2 (6) Until July 1, 2003 and beginning again on September 1,
3 2004 through August 30, 2014, graphic arts machinery and
4 equipment, including repair and replacement parts, both new and
5 used, and including that manufactured on special order,
6 certified by the purchaser to be used primarily for graphic
7 arts production, and including machinery and equipment
8 purchased for lease. Equipment includes chemicals or chemicals
9 acting as catalysts but only if the chemicals or chemicals
10 acting as catalysts effect a direct and immediate change upon a
11 graphic arts product. Beginning on August 31, 2014, graphic
12 arts machinery and equipment is included in the manufacturing
13 and assembling machinery and equipment exemption under
14 paragraph (18).

15 (7) Farm chemicals.

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

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

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

26 (11) 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 (11). Agricultural chemical tender tanks and dry
15 boxes 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 (11) is exempt from the
8 provisions of Section 3-90.

9 (12) 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 (13) Proceeds of mandatory service charges separately

1 stated on customers' bills for the purchase and consumption of
2 food and beverages purchased at retail from a retailer, to the
3 extent that the proceeds of the service charge are in fact
4 turned over as tips or as a substitute for tips to the
5 employees who participate directly in preparing, serving,
6 hosting or cleaning up the food or beverage function with
7 respect to which the service charge is imposed.

8 (14) 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 (15) 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 (16) 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 (17) Until July 1, 2003, distillation machinery and
8 equipment, sold as a unit or kit, assembled or installed by the
9 retailer, 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 the user, and not subject to sale or resale.

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

1 for wholesale or retail sale that is delivered to customers
2 through pipes, pipelines, or mains; or (iii) the treatment of
3 water for wholesale or retail sale that is delivered to
4 customers through pipes, pipelines, or mains. The provisions of
5 Public Act 98-583 are declaratory of existing law as to the
6 meaning and scope of this exemption. Beginning on August 31,
7 2014, the exemption provided by this paragraph (18) includes,
8 but is not limited to, graphic arts machinery and equipment, as
9 defined in paragraph (6) of this Section. The exemption
10 provided by this paragraph (18) is exempt from the provisions
11 of Section 3-90.

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

17 (20) Semen used for artificial insemination of livestock
18 for direct agricultural production.

19 (21) Horses, or interests in horses, registered with and
20 meeting the requirements of any of the Arabian Horse Club
21 Registry of America, Appaloosa Horse Club, American Quarter
22 Horse Association, United States Trotting Association, or
23 Jockey Club, as appropriate, used for purposes of breeding or
24 racing for prizes. This item (21) is exempt from the provisions
25 of Section 3-90, and the exemption provided for under this item
26 (21) applies for all periods beginning May 30, 1995, but no

1 claim for credit or refund is allowed on or after January 1,
2 2008 for such taxes paid during the period beginning May 30,
3 2000 and ending on January 1, 2008.

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

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

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

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

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

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

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

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

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

1 (29) Beginning January 1, 2000 and through December 31,
2 2001, new or used automatic vending machines that prepare and
3 serve hot food and beverages, including coffee, soup, and other
4 items, and replacement parts for these machines. Beginning
5 January 1, 2002 and through June 30, 2003, machines and parts
6 for machines used in commercial, coin-operated amusement and
7 vending business if a use or occupation tax is paid on the
8 gross receipts derived from the use of the commercial,
9 coin-operated amusement and vending machines. This paragraph
10 is exempt from the provisions of Section 3-90.

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

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

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

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

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

20 (33) On and after July 1, 2003 and through June 30, 2004,
21 the use in this State of motor vehicles of the second division
22 with a gross vehicle weight in excess of 8,000 pounds and that
23 are subject to the commercial distribution fee imposed under
24 Section 3-815.1 of the Illinois Vehicle Code. Beginning on July
25 1, 2004 and through June 30, 2005, the use in this State of
26 motor vehicles of the second division: (i) with a gross vehicle

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

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

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

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

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

1 consideration by or on behalf of the municipality at the time
2 of the completion of the municipal convention hall or upon the
3 retirement or redemption of any bonds or other debt instruments
4 issued by the public-facilities corporation in connection with
5 the development of the municipal convention hall. This
6 exemption includes existing public-facilities corporations as
7 provided in Section 11-65-25 of the Illinois Municipal Code.
8 This paragraph is exempt from the provisions of Section 3-90.

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

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

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

16 Sec. 3-50. Manufacturing and assembly exemption. The
17 manufacturing and assembling machinery and equipment exemption
18 includes machinery and equipment that replaces machinery and
19 equipment in an existing manufacturing facility as well as
20 machinery and equipment that are for use in an expanded or new
21 manufacturing facility. The machinery and equipment exemption
22 also includes machinery and equipment used in the general
23 maintenance or repair of exempt machinery and equipment or for
24 in-house manufacture of exempt machinery and equipment.
25 Beginning on August 31, 2014, the manufacturing and assembling

1 machinery and equipment exemption also includes graphic arts
2 machinery and equipment, as defined in paragraph (6) of Section
3 3-5. The machinery and equipment exemption does not include
4 machinery and equipment used in (i) the generation of
5 electricity for wholesale or retail sale; (ii) the generation
6 or treatment of natural or artificial gas for wholesale or
7 retail sale that is delivered to customers through pipes,
8 pipelines, or mains; or (iii) the treatment of water for
9 wholesale or retail sale that is delivered to customers through
10 pipes, pipelines, or mains. The provisions of this amendatory
11 Act of the 98th General Assembly are declaratory of existing
12 law as to the meaning and scope of this exemption. For the
13 purposes of this exemption, terms have the following meanings:

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

1 the completion of the final product in the last operation
2 or stage of production in the series. For purposes of this
3 exemption, photoprocessing is a manufacturing process of
4 tangible personal property for wholesale or retail sale.

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

13 (3) "Machinery" means major mechanical machines or
14 major components of those machines contributing to a
15 manufacturing or assembling process.

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

1 acting as catalysts but only if the chemicals or chemicals
2 acting as catalysts effect a direct and immediate change
3 upon a product being manufactured or assembled for
4 wholesale or retail sale or lease.

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

24 The manufacturing and assembling machinery and equipment
25 exemption includes production related tangible personal
26 property that is purchased on or after July 1, 2007 and on or

1 before June 30, 2008. The exemption for production related
2 tangible personal property is subject to both of the following
3 limitations:

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

12 (2) The maximum aggregate amount of the exemptions for
13 production related tangible personal property awarded
14 under this Act and the Retailers' Occupation Tax Act to all
15 taxpayers may not exceed \$10,000,000. If the claims for the
16 exemption exceed \$10,000,000, then the Department shall
17 reduce the amount of the exemption to each taxpayer on a
18 pro rata basis.

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

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

1 manufactures those materials into an exempted type of
2 machinery, equipment, or tools that the purchaser uses himself
3 or herself in the manufacturing of tangible personal property.
4 This exemption includes the sale of exempted types of machinery
5 or equipment to a purchaser who is not the manufacturer, but
6 who rents or leases the use of the property to a manufacturer.
7 The purchaser of the machinery and equipment who has an active
8 resale registration number shall furnish that number to the
9 seller at the time of purchase. A user of the machinery,
10 equipment, or tools without an active resale registration
11 number shall prepare a certificate of exemption for each
12 transaction stating facts establishing the exemption for that
13 transaction, and that certificate shall be available to the
14 Department for inspection or audit. The Department shall
15 prescribe the form of the certificate. 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 3-90.

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

5 (35 ILCS 105/3-85)

6 Sec. 3-85. Manufacturer's Purchase Credit. For purchases
7 of machinery and equipment made on and after January 1, 1995
8 through June 30, 2003, and on and after September 1, 2004
9 through August 30, 2014, a purchaser of manufacturing machinery
10 and equipment that qualifies for the exemption provided by
11 paragraph (18) of Section 3-5 of this Act earns a credit in an
12 amount equal to a fixed percentage of the tax which would have
13 been incurred under this Act on those purchases. For purchases
14 of graphic arts machinery and equipment made on or after July
15 1, 1996 and through June 30, 2003, and on and after September
16 1, 2004 ~~through August 30, 2014~~, a purchaser of graphic arts
17 machinery and equipment that qualifies for the exemption
18 provided by paragraph (6) or (18) of Section 3-5 of this Act
19 earns a credit in an amount equal to a fixed percentage of the
20 tax that would have been incurred under this Act on those
21 purchases. The credit earned for purchases of manufacturing
22 machinery and equipment or graphic arts machinery and equipment
23 shall be referred to as the Manufacturer's Purchase Credit. A
24 graphic arts producer is a person engaged in graphic arts
25 production as defined in Section 2-30 of the Retailers'

1 Occupation Tax Act. Beginning July 1, 1996, all references in
2 this Section to manufacturers or manufacturing shall also be
3 deemed to refer to graphic arts producers or graphic arts
4 production. It is the intent of the General Assembly that the
5 Manufacturer's Purchase Credit for purchases of graphic arts
6 machinery and equipment applies permanently on and after
7 September 1, 2004.

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

14 (1) 15% for purchases made on or before June 30, 1995.

15 (2) 25% for purchases made after June 30, 1995, and on
16 or before June 30, 1996.

17 (3) 40% for purchases made after June 30, 1996, and on
18 or before June 30, 1997.

19 (4) 50% for purchases made on or after July 1, 1997.

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

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

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

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

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

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

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

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

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

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

26 No annual report shall be filed before May 1, 1996 or after

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

1 1, 1995, or in the case of graphic arts producers on or after
2 July 1, 1996.

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

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

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

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

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

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

1 exemption. "Production related tangible personal property"
2 means (i) all tangible personal property used or consumed by
3 the purchaser in a manufacturing facility in which a
4 manufacturing process described in Section 2-45 of the
5 Retailers' Occupation Tax Act takes place, including tangible
6 personal property purchased for incorporation into real estate
7 within a manufacturing facility and including, but not limited
8 to, tangible personal property used or consumed in activities
9 such as preproduction material handling, receiving, quality
10 control, inventory control, storage, staging, and packaging
11 for shipping and transportation purposes; (ii) all tangible
12 personal property used or consumed by the purchaser in a
13 graphic arts facility in which graphic arts production as
14 described in Section 2-30 of the Retailers' Occupation Tax Act
15 takes place, including tangible personal property purchased
16 for incorporation into real estate within a graphic arts
17 facility and including, but not limited to, all tangible
18 personal property used or consumed in activities such as
19 graphic arts preliminary or pre-press production,
20 pre-production material handling, receiving, quality control,
21 inventory control, storage, staging, sorting, labeling,
22 mailing, tying, wrapping, and packaging; and (iii) all tangible
23 personal property used or consumed by the purchaser for
24 research and development. "Production related tangible
25 personal property" does not include (i) tangible personal
26 property used, within or without a manufacturing facility, in

1 sales, purchasing, accounting, fiscal management, marketing,
2 personnel recruitment or selection, or landscaping or (ii)
3 tangible personal property required to be titled or registered
4 with a department, agency, or unit of federal, state, or local
5 government. The Manufacturer's Purchase Credit may be used to
6 satisfy the tax arising either from the purchase of machinery
7 and equipment on or after September 1, 2004 for which the
8 exemption provided by paragraph (18) of Section 3-5 of this Act
9 was erroneously claimed, or the purchase of machinery and
10 equipment on or after September 1, 2004 for which the exemption
11 provided by paragraph (6) of Section 3-5 of this Act was
12 erroneously claimed, but not in satisfaction of penalty, if
13 any, and interest for failure to pay the tax when due. A
14 purchaser of production related tangible personal property
15 that is purchased on or after September 1, 2004 who is required
16 to pay Illinois Use Tax or Service Use Tax on the purchase
17 directly to the Department may utilize the Manufacturer's
18 Purchase Credit in satisfaction of the tax arising from that
19 purchase, but not in satisfaction of penalty and interest. A
20 purchaser who uses the Manufacturer's Purchase Credit to
21 purchase property on and after September 1, 2004 which is later
22 determined not to be production related tangible personal
23 property may be liable for tax, penalty, and interest on the
24 purchase of that property as of the date of purchase but shall
25 be entitled to use the disallowed Manufacturer's Purchase
26 Credit, so long as it has not expired and is used on qualifying

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

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

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

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

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

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

8 Section 10. The Service Use Tax Act is amended by changing
9 Sections 2, 3-5, and 3-70 as follows:

10 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

11 Sec. 2. Definitions.

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

1 "Purchased from a serviceman" means the acquisition of the
2 ownership of, or title to, tangible personal property through a
3 sale of service.

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

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

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

1 sellers on account of the seller's duty to collect, from the
2 purchaser, the tax that is imposed by this Act.

3 "Department" means the Department of Revenue.

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

9 "Sale of service" means any transaction except:

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

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

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

1 company may qualify for the exemption under this paragraph
2 only if the limited liability company is organized and
3 operated exclusively for educational purposes.

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

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

26 (4a-5) on and after July 1, 2003 and through June 30,

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

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

1 person, whether the materials used in the process are owned
2 by the manufacturer or some other person, or whether such
3 sale or lease is made apart from or as an incident to the
4 seller's engaging in a service occupation and the
5 applicable tax is a Service Use Tax or Service Occupation
6 Tax, rather than Use Tax or Retailers' Occupation Tax. The
7 exemption provided by this paragraph (5) does not include
8 machinery and equipment used in (i) the generation of
9 electricity for wholesale or retail sale; (ii) the
10 generation or treatment of natural or artificial gas for
11 wholesale or retail sale that is delivered to customers
12 through pipes, pipelines, or mains; or (iii) the treatment
13 of water for wholesale or retail sale that is delivered to
14 customers through pipes, pipelines, or mains. The
15 provisions of this amendatory Act of the 98th General
16 Assembly are declaratory of existing law as to the meaning
17 and scope of this exemption. The exemption under this
18 paragraph (5) is exempt from the provisions of Section
19 3-75.

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

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

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

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

25 (7) at the election of any serviceman not required to
26 be otherwise registered as a retailer under Section 2a of

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

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

23 Exemption (5) also includes machinery and equipment used in
24 the general maintenance or repair of such exempt machinery and
25 equipment or for in-house manufacture of exempt machinery and
26 equipment. On and after August 31, 2014, exemption (5) also

1 includes graphic arts machinery and equipment, as defined in
2 paragraph (5) of Section 3-5. The machinery and equipment
3 exemption does not include machinery and equipment used in (i)
4 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 this amendatory Act of the 98th General Assembly are
11 declaratory of existing law as to the meaning and scope of this
12 exemption. For the purposes of exemption (5), each of these
13 terms shall have the following meanings: (1) "manufacturing
14 process" shall mean the production of any article of tangible
15 personal property, whether such article is a finished product
16 or an article for use in the process of manufacturing or
17 assembling a different article of tangible personal property,
18 by procedures commonly regarded as manufacturing, processing,
19 fabricating, or refining which changes some existing material
20 or materials into a material with a different form, use or
21 name. In relation to a recognized integrated business composed
22 of a series of operations which collectively constitute
23 manufacturing, or individually constitute manufacturing
24 operations, the manufacturing process shall be deemed to
25 commence with the first operation or stage of production in the
26 series, and shall not be deemed to end until the completion of

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

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

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

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

1 number issued by the Department.

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

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

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

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

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

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

25 1.1. having a contract with a person located in this
26 State under which the person, for a commission or other

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

26 1.2. beginning July 1, 2011, having a contract with a

1 person located in this State under which:

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

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

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

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

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

26 4. soliciting orders for tangible personal property by

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

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

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

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

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

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

23 (35 ILCS 110/3-5)

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

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

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

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

26 (4) Legal tender, currency, medallions, or gold or silver

1 coinage issued by the State of Illinois, the government of the
2 United States of America, or the government of any foreign
3 country, and bullion.

4 (5) Until July 1, 2003 and beginning again on September 1,
5 2004 through August 30, 2014, graphic arts machinery and
6 equipment, including repair and replacement parts, both new and
7 used, and including that manufactured on special order or
8 purchased for lease, certified by the purchaser to be used
9 primarily for graphic arts production. Equipment includes
10 chemicals or chemicals acting as catalysts but only if the
11 chemicals or chemicals acting as catalysts effect a direct and
12 immediate change upon a graphic arts product. Beginning on
13 August 31, 2014, graphic arts machinery and equipment is
14 included in the manufacturing and assembling machinery and
15 equipment exemption under Section 2 of this Act.

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

19 (7) Farm machinery and equipment, both new and used,
20 including that manufactured on special order, certified by the
21 purchaser to be used primarily for production agriculture or
22 State or federal agricultural programs, including individual
23 replacement parts for the machinery and equipment, including
24 machinery and equipment purchased for lease, and including
25 implements of husbandry defined in Section 1-130 of the
26 Illinois Vehicle Code, farm machinery and agricultural

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

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

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

1 provisions of Section 3-75.

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

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

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

1 imposed.

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

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

17 (12) 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 (13) Semen used for artificial insemination of livestock
3 for direct agricultural production.

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

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

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

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

1 Use Tax Act, as the case may be, if the tax has not been paid by
2 the lessor. If a lessor improperly collects any such amount
3 from the lessee, the lessee shall have a legal right to claim a
4 refund of that amount from the lessor. If, however, that amount
5 is not refunded to the lessee for any reason, the lessor is
6 liable to pay that amount to the Department.

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

17 (18) Beginning with taxable years ending on or after
18 December 31, 1995 and ending with taxable years ending on or
19 before December 31, 2004, personal property that is used in the
20 performance of infrastructure repairs in this State, including
21 but not limited to municipal roads and streets, access roads,
22 bridges, sidewalks, waste disposal systems, water and sewer
23 line extensions, water distribution and purification
24 facilities, storm water drainage and retention facilities, and
25 sewage treatment facilities, resulting from a State or
26 federally declared disaster in Illinois or bordering Illinois

1 when such repairs are initiated on facilities located in the
2 declared disaster area within 6 months after the disaster.

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

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

25 (21) Beginning January 1, 2000, personal property,
26 including food, purchased through fundraising events for the

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

13 (22) Beginning January 1, 2000 and through December 31,
14 2001, new or used automatic vending machines that prepare and
15 serve hot food and beverages, including coffee, soup, and other
16 items, and replacement parts for these machines. Beginning
17 January 1, 2002 and through June 30, 2003, machines and parts
18 for machines used in commercial, coin-operated amusement and
19 vending business if a use or occupation tax is paid on the
20 gross receipts derived from the use of the commercial,
21 coin-operated amusement and vending machines. This paragraph
22 is exempt from the provisions of Section 3-75.

23 (23) Beginning August 23, 2001 and through June 30, 2016,
24 food for human consumption that is to be consumed off the
25 premises where it is sold (other than alcoholic beverages, soft
26 drinks, and food that has been prepared for immediate

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

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

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

8 (25) Beginning on the effective date of this amendatory Act
9 of the 92nd General Assembly, personal property purchased by a
10 lessor who leases the property, under a lease of one year or
11 longer executed or in effect at the time the lessor would
12 otherwise be subject to the tax imposed by this Act, to a
13 governmental body 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 property 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 Use Tax Act, as the case may
19 be, based on the fair market value of the property at the time
20 the nonqualifying use occurs. No lessor shall collect or
21 attempt to collect an amount (however designated) that purports
22 to reimburse that lessor for the tax imposed by this Act or the
23 Use Tax Act, as the case may be, if the tax has not been paid by
24 the lessor. If a lessor improperly collects any such amount
25 from the lessee, the lessee shall have a legal right to claim a
26 refund of that amount from the lessor. If, however, that amount

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

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

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

1 modification, refurbishment, completion, replacement, repair,
2 or maintenance of aircraft by persons who (i) hold an Air
3 Agency Certificate and are empowered to operate an approved
4 repair station by the Federal Aviation Administration, (ii)
5 have a Class IV Rating, and (iii) conduct operations in
6 accordance with Part 145 of the Federal Aviation Regulations.
7 The exemption does not include aircraft operated by a
8 commercial air carrier providing scheduled passenger air
9 service pursuant to authority issued under Part 121 or Part 129
10 of the Federal Aviation Regulations. The changes made to this
11 paragraph (27) by Public Act 98-534 are declarative of existing
12 law.

13 (28) Tangible personal property purchased by a
14 public-facilities corporation, as described in Section
15 11-65-10 of the Illinois Municipal Code, for purposes of
16 constructing or furnishing a municipal convention hall, but
17 only if the legal title to the municipal convention hall is
18 transferred to the municipality without any further
19 consideration by or on behalf of the municipality at the time
20 of the completion of the municipal convention hall or upon the
21 retirement or redemption of any bonds or other debt instruments
22 issued by the public-facilities corporation in connection with
23 the development of the municipal convention hall. This
24 exemption includes existing public-facilities corporations as
25 provided in Section 11-65-25 of the Illinois Municipal Code.
26 This paragraph is exempt from the provisions of Section 3-75.

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

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

6 (35 ILCS 110/3-70)

7 Sec. 3-70. Manufacturer's Purchase Credit. For purchases
8 of machinery and equipment made on and after January 1, 1995
9 and through June 30, 2003, and on and after September 1, 2004
10 through August 30, 2014, a purchaser of manufacturing machinery
11 and equipment that qualifies for the exemption provided by
12 Section 2 of this Act earns a credit in an amount equal to a
13 fixed percentage of the tax which would have been incurred
14 under this Act on those purchases. For purchases of graphic
15 arts machinery and equipment made on or after July 1, 1996
16 through June 30, 2003, and on and after September 1, 2004
17 ~~through August 30, 2014~~, a purchase of graphic arts machinery
18 and equipment that qualifies for the exemption provided by
19 paragraph (5) of Section 3-5 of this Act or Section 2 of this
20 Act earns a credit in an amount equal to a fixed percentage of
21 the tax that would have been incurred under this Act on those
22 purchases. The credit earned for the purchase of manufacturing
23 machinery and equipment and graphic arts machinery and
24 equipment shall be referred to as the Manufacturer's Purchase
25 Credit. A graphic arts producer is a person engaged in graphic

1 arts production as defined in Section 3-30 of the Service
2 Occupation Tax Act. Beginning July 1, 1996, all references in
3 this Section to manufacturers or manufacturing shall also refer
4 to graphic arts producers or graphic arts production. It is the
5 intent of the General Assembly that the Manufacturer's Purchase
6 Credit for purchases of graphic arts machinery and equipment
7 applies permanently on and after September 1, 2004.

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

13 All purchases prior to October 1, 2003 of manufacturing
14 machinery and equipment and graphic arts machinery and
15 equipment that qualify for the exemptions provided by paragraph
16 (5) of Section 2 or paragraph (5) of Section 3-5 of this Act
17 qualify for the credit without regard to whether the serviceman
18 elected, or could have elected, under paragraph (7) of Section
19 2 of this Act to exclude the transaction from this Act. If the
20 serviceman's billing to the service customer separately states
21 a selling price for the exempt manufacturing machinery or
22 equipment or the exempt graphic arts machinery and equipment,
23 the credit shall be calculated, as otherwise provided herein,
24 based on that selling price. If the serviceman's billing does
25 not separately state a selling price for the exempt
26 manufacturing machinery and equipment or the exempt graphic

1 arts machinery and equipment, the credit shall be calculated,
2 as otherwise provided herein, based on 50% of the entire
3 billing. If the serviceman contracts to design, develop, and
4 produce special order manufacturing machinery and equipment or
5 special order graphic arts machinery and equipment, and the
6 billing does not separately state a selling price for such
7 special order machinery and equipment, the credit shall be
8 calculated, as otherwise provided herein, based on 50% of the
9 entire billing. The provisions of this paragraph are effective
10 for purchases made on or after January 1, 1995.

11 The percentage shall be as follows:

12 (1) 15% for purchases made on or before June 30, 1995.

13 (2) 25% for purchases made after June 30, 1995, and on
14 or before June 30, 1996.

15 (3) 40% for purchases made after June 30, 1996, and on
16 or before June 30, 1997.

17 (4) 50% for purchases made on or after July 1, 1997.

18 (a) Manufacturer's Purchase Credit earned prior to July 1,
19 2003. This subsection (a) applies to Manufacturer's Purchase
20 Credit earned prior to July 1, 2003. A purchaser of production
21 related tangible personal property desiring to use the
22 Manufacturer's Purchase Credit shall certify to the seller
23 prior to October 1, 2003 that the purchaser is satisfying all
24 or part of the liability under the Use Tax Act or the Service
25 Use Tax Act that is due on the purchase of the production
26 related tangible personal property by use of a Manufacturer's

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

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

16 No Manufacturer's Purchase Credit earned prior to July 1,
17 2003 may be used after October 1, 2003. The Manufacturer's
18 Purchase Credit may be used to satisfy liability under the Use
19 Tax Act or the Service Use Tax Act due on the purchase of
20 production related tangible personal property (including
21 purchases by a manufacturer, by a graphic arts producer, or a
22 lessor who rents or leases the use of the property to a
23 manufacturer or graphic arts producer) that does not otherwise
24 qualify for the manufacturing machinery and equipment
25 exemption or the graphic arts machinery and equipment
26 exemption. "Production related tangible personal property"

1 means (i) all tangible personal property used or consumed by
2 the purchaser in a manufacturing facility in which a
3 manufacturing process described in Section 2-45 of the
4 Retailers' Occupation Tax Act takes place, including tangible
5 personal property purchased for incorporation into real estate
6 within a manufacturing facility and including, but not limited
7 to, tangible personal property used or consumed in activities
8 such as pre-production material handling, receiving, quality
9 control, inventory control, storage, staging, and packaging
10 for shipping and transportation purposes; (ii) all tangible
11 personal property used or consumed by the purchaser in a
12 graphic arts facility in which graphic arts production as
13 described in Section 2-30 of the Retailers' Occupation Tax Act
14 takes place, including tangible personal property purchased
15 for incorporation into real estate within a graphic arts
16 facility and including, but not limited to, all tangible
17 personal property used or consumed in activities such as
18 graphic arts preliminary or pre-press production,
19 pre-production material handling, receiving, quality control,
20 inventory control, storage, staging, sorting, labeling,
21 mailing, tying, wrapping, and packaging; and (iii) all tangible
22 personal property used or consumed by the purchaser for
23 research and development. "Production related tangible
24 personal property" does not include (i) tangible personal
25 property used, within or without a manufacturing or graphic
26 arts facility, in sales, purchasing, accounting, fiscal

1 management, marketing, personnel recruitment or selection, or
2 landscaping or (ii) tangible personal property required to be
3 titled or registered with a department, agency, or unit of
4 federal, state, or local government. The Manufacturer's
5 Purchase Credit may be used, prior to October 1, 2003, to
6 satisfy the tax arising either from the purchase of machinery
7 and equipment on or after January 1, 1995 for which the
8 manufacturing machinery and equipment exemption provided by
9 Section 2 of this Act was erroneously claimed, or the purchase
10 of machinery and equipment on or after July 1, 1996 for which
11 the exemption provided by paragraph (5) of Section 3-5 of this
12 Act was erroneously claimed, but not in satisfaction of
13 penalty, if any, and interest for failure to pay the tax when
14 due. A purchaser of production related tangible personal
15 property who is required to pay Illinois Use Tax or Service Use
16 Tax on the purchase directly to the Department may, prior to
17 October 1, 2003, utilize the Manufacturer's Purchase Credit in
18 satisfaction of the tax arising from that purchase, but not in
19 satisfaction of penalty and interest. A purchaser who uses the
20 Manufacturer's Purchase Credit to purchase property which is
21 later determined not to be production related tangible personal
22 property may be liable for tax, penalty, and interest on the
23 purchase of that property as of the date of purchase but shall
24 be entitled to use the disallowed Manufacturer's Purchase
25 Credit, so long as it has not expired and is used prior to
26 October 1, 2003, on qualifying purchases of production related

1 tangible personal property not previously subject to credit
2 usage. The Manufacturer's Purchase Credit earned by a
3 manufacturer or graphic arts producer expires the last day of
4 the second calendar year following the calendar year in which
5 the credit arose. No Manufacturer's Purchase Credit may be used
6 after September 30, 2003 regardless of when that credit was
7 earned.

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

1 registration number or Federal Employer Identification
2 Number), the purchase price, and the amount of Manufacturer's
3 Purchase Credit earned on each purchase.

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

25 No annual report shall be filed before May 1, 1996 or after
26 June 30, 2004. A purchaser that fails to file an annual Report

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

1 producers on or after July 1, 1996.

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

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

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

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

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

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

1 means (i) all tangible personal property used or consumed by
2 the purchaser in a manufacturing facility in which a
3 manufacturing process described in Section 2-45 of the
4 Retailers' Occupation Tax Act takes place, including tangible
5 personal property purchased for incorporation into real estate
6 within a manufacturing facility and including, but not limited
7 to, tangible personal property used or consumed in activities
8 such as pre-production material handling, receiving, quality
9 control, inventory control, storage, staging, and packaging
10 for shipping and transportation purposes; (ii) all tangible
11 personal property used or consumed by the purchaser in a
12 graphic arts facility in which graphic arts production as
13 described in Section 2-30 of the Retailers' Occupation Tax Act
14 takes place, including tangible personal property purchased
15 for incorporation into real estate within a graphic arts
16 facility and including, but not limited to, all tangible
17 personal property used or consumed in activities such as
18 graphic arts preliminary or pre-press production,
19 pre-production material handling, receiving, quality control,
20 inventory control, storage, staging, sorting, labeling,
21 mailing, tying, wrapping, and packaging; and (iii) all tangible
22 personal property used or consumed by the purchaser for
23 research and development. "Production related tangible
24 personal property" does not include (i) tangible personal
25 property used, within or without a manufacturing or graphic
26 arts facility, in sales, purchasing, accounting, fiscal

1 management, marketing, personnel recruitment or selection, or
2 landscaping or (ii) tangible personal property required to be
3 titled or registered with a department, agency, or unit of
4 federal, state, or local government. The Manufacturer's
5 Purchase Credit may be used to satisfy the tax arising either
6 from the purchase of machinery and equipment on or after
7 September 1, 2004 for which the manufacturing machinery and
8 equipment exemption provided by Section 2 of this Act was
9 erroneously claimed, or the purchase of machinery and equipment
10 on or after September 1, 2004 for which the exemption provided
11 by paragraph (5) of Section 3-5 of this Act was erroneously
12 claimed, but not in satisfaction of penalty, if any, and
13 interest for failure to pay the tax when due. A purchaser of
14 production related tangible personal property that is
15 purchased on or after September 1, 2004 who is required to pay
16 Illinois Use Tax or Service Use Tax on the purchase directly to
17 the Department may utilize the Manufacturer's Purchase Credit
18 in satisfaction of the tax arising from that purchase, but not
19 in satisfaction of penalty and interest. A purchaser who uses
20 the Manufacturer's Purchase Credit to purchase property on and
21 after September 1, 2004 which is later determined not to be
22 production related tangible personal property may be liable for
23 tax, penalty, and interest on the purchase of that property as
24 of the date of purchase but shall be entitled to use the
25 disallowed Manufacturer's Purchase Credit, so long as it has
26 not expired, on qualifying purchases of production related

1 tangible personal property not previously subject to credit
2 usage. The Manufacturer's Purchase Credit earned by a
3 manufacturer or graphic arts producer expires the last day of
4 the second calendar year following the calendar year in which
5 the credit arose.

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

1 Purchase Credit earned on each purchase.

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

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

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

21 If the purchaser is not the manufacturer or a graphic arts
22 producer, but rents or leases the use of the property to a
23 manufacturer or a graphic arts producer, the purchaser may
24 earn, report, and use Manufacturer's Purchase Credit in the
25 same manner as a manufacturer or graphic arts producer. A
26 purchaser shall not be entitled to any Manufacturer's Purchase

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

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

9 Section 15. The Service Occupation Tax Act is amended by
10 changing Sections 2 and 3-5 as follows:

11 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

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

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

1 equal to 50% of the subcontractor's charges to the serviceman
2 in the absence of proof of the consideration paid by the
3 subcontractor for the purchase of such property.

4 "Department" means the Department of Revenue.

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

10 "Sale of Service" means any transaction except:

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

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

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

1 qualify for the exemption under this paragraph only if the
2 limited liability company is organized and operated
3 exclusively for educational purposes.

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

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

23 (d-1.1) On and after July 1, 2003 and through June 30,
24 2004, a sale or transfer of a motor vehicle of the second
25 division with a gross vehicle weight in excess of 8,000 pounds
26 as an incident to the rendering of service if that motor

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

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

1 destination outside Illinois, for use outside Illinois.

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

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

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

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

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

25 (g) At the election of any serviceman not required to be
26 otherwise registered as a retailer under Section 2a of the

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

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

21 Exemption (e) also includes machinery and equipment used in
22 the general maintenance or repair of such exempt machinery and
23 equipment or for in-house manufacture of exempt machinery and
24 equipment. On and after August 31, 2014, exemption (e) also
25 includes graphic arts machinery and equipment, as defined in
26 paragraph (5) of Section 3-5. The machinery and equipment

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

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

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

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

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

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

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

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

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

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

13 (35 ILCS 115/3-5)

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

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

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

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

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

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

1 chemicals or chemicals acting as catalysts effect a direct and
2 immediate change upon a graphic arts product. Beginning on
3 August 31, 2014, graphic arts machinery and equipment is
4 included in the manufacturing and assembling machinery and
5 equipment exemption under Section 2 of this Act.

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

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

1 tender is separately stated.

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

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

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

25 Beginning July 1, 2013, fuel and petroleum products sold to
26 or used by an air carrier, certified by the carrier to be used

1 for consumption, shipment, or storage in the conduct of its
2 business as an air common carrier, for a flight that (i) is
3 engaged in foreign trade or is engaged in trade between the
4 United States and any of its possessions and (ii) transports at
5 least one individual or package for hire from the city of
6 origination to the city of final destination on the same
7 aircraft, without regard to a change in the flight number of
8 that aircraft.

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

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

26 (11) Photoprocessing machinery and equipment, including

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

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

16 (13) Beginning January 1, 1992 and through June 30, 2016,
17 food for human consumption that is to be consumed off the
18 premises where it is sold (other than alcoholic beverages, soft
19 drinks and food that has been prepared for immediate
20 consumption) and prescription and non-prescription medicines,
21 drugs, medical appliances, and insulin, urine testing
22 materials, syringes, and needles used by diabetics, for human
23 use, when purchased for use by a person receiving medical
24 assistance under Article V of the Illinois Public Aid Code who
25 resides in a licensed long-term care facility, as defined in
26 the Nursing Home Care Act, or in a licensed facility as defined

1 in the ID/DD Community Care Act, the MC/DD Act, or the
2 Specialized Mental Health Rehabilitation Act of 2013.

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

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

17 (16) Computers and communications equipment utilized for
18 any hospital purpose and equipment used in the diagnosis,
19 analysis, or treatment of hospital patients sold to a lessor
20 who leases the equipment, under a lease of one year or longer
21 executed or in effect at the time of the purchase, to a
22 hospital that has been issued an active tax exemption
23 identification number by the Department under Section 1g of the
24 Retailers' Occupation Tax Act.

25 (17) Personal property sold to a lessor who leases the
26 property, under a lease of one year or longer executed or in

1 effect at the time of the purchase, to a governmental body that
2 has been issued an active tax exemption identification number
3 by the Department under Section 1g of the Retailers' Occupation
4 Tax Act.

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

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

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

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

23 (22) Beginning January 1, 2000, personal property,
24 including food, purchased through fundraising events for the
25 benefit of a public or private elementary or secondary school,
26 a group of those schools, or one or more school districts if

1 the events are sponsored by an entity recognized by the school
2 district that consists primarily of volunteers and includes
3 parents and teachers of the school children. This paragraph
4 does not apply to fundraising events (i) for the benefit of
5 private home instruction or (ii) for which the fundraising
6 entity purchases the personal property sold at the events from
7 another individual or entity that sold the property for the
8 purpose of resale by the fundraising entity and that profits
9 from the sale to the fundraising entity. This paragraph is
10 exempt from the provisions of Section 3-55.

11 (23) Beginning January 1, 2000 and through December 31,
12 2001, new or used automatic vending machines that prepare and
13 serve hot food and beverages, including coffee, soup, and other
14 items, and replacement parts for these machines. Beginning
15 January 1, 2002 and through June 30, 2003, machines and parts
16 for machines used in commercial, coin-operated amusement and
17 vending business if a use or occupation tax is paid on the
18 gross receipts derived from the use of the commercial,
19 coin-operated amusement and vending machines. This paragraph
20 is exempt from the provisions of Section 3-55.

21 (24) Beginning on the effective date of this amendatory Act
22 of the 92nd General Assembly, computers and communications
23 equipment utilized for any hospital purpose and equipment used
24 in the diagnosis, analysis, or treatment of hospital patients
25 sold to a lessor who leases the equipment, under a lease of one
26 year or longer executed or in effect at the time of the

1 purchase, to a hospital that has been issued an active tax
2 exemption identification number by the Department under
3 Section 1g of the Retailers' Occupation Tax Act. This paragraph
4 is exempt from the provisions of Section 3-55.

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

13 (26) Beginning on January 1, 2002 and through June 30,
14 2016, tangible personal property purchased from an Illinois
15 retailer by a taxpayer engaged in centralized purchasing
16 activities in Illinois who will, upon receipt of the property
17 in Illinois, temporarily store the property in Illinois (i) for
18 the purpose of subsequently transporting it outside this State
19 for use or consumption thereafter solely outside this State or
20 (ii) for the purpose of being processed, fabricated, or
21 manufactured into, attached to, or incorporated into other
22 tangible personal property to be transported outside this State
23 and thereafter used or consumed solely outside this State. The
24 Director of Revenue shall, pursuant to rules adopted in
25 accordance with the Illinois Administrative Procedure Act,
26 issue a permit to any taxpayer in good standing with the

1 Department who is eligible for the exemption under this
2 paragraph (26). The permit issued under this paragraph (26)
3 shall authorize the holder, to the extent and in the manner
4 specified in the rules adopted under this Act, to purchase
5 tangible personal property from a retailer exempt from the
6 taxes imposed by this Act. Taxpayers shall maintain all
7 necessary books and records to substantiate the use and
8 consumption of all such tangible personal property outside of
9 the State of Illinois.

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

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

1 the development of the municipal convention hall. This
2 exemption includes existing public-facilities corporations as
3 provided in Section 11-65-25 of the Illinois Municipal Code.
4 This paragraph is exempt from the provisions of Section 3-55.

5 (29) Beginning January 1, 2010, materials, parts,
6 equipment, components, and furnishings incorporated into or
7 upon an aircraft as part of the modification, refurbishment,
8 completion, replacement, repair, or maintenance of the
9 aircraft. This exemption includes consumable supplies used in
10 the modification, refurbishment, completion, replacement,
11 repair, and maintenance of aircraft, but excludes any
12 materials, parts, equipment, components, and consumable
13 supplies used in the modification, replacement, repair, and
14 maintenance of aircraft engines or power plants, whether such
15 engines or power plants are installed or uninstalled upon any
16 such aircraft. "Consumable supplies" include, but are not
17 limited to, adhesive, tape, sandpaper, general purpose
18 lubricants, cleaning solution, latex gloves, and protective
19 films. This exemption applies only to the transfer of
20 qualifying tangible personal property incident to the
21 modification, refurbishment, completion, replacement, repair,
22 or maintenance of an aircraft by persons who (i) hold an Air
23 Agency Certificate and are empowered to operate an approved
24 repair station by the Federal Aviation Administration, (ii)
25 have a Class IV Rating, and (iii) conduct operations in
26 accordance with Part 145 of the Federal Aviation Regulations.

1 The exemption does not include aircraft operated by a
2 commercial air carrier providing scheduled passenger air
3 service pursuant to authority issued under Part 121 or Part 129
4 of the Federal Aviation Regulations. The changes made to this
5 paragraph (29) by Public Act 98-534 are declarative of existing
6 law.

7 (30) Beginning January 1, 2017, menstrual pads, tampons,
8 and menstrual cups.

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

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

14 (35 ILCS 120/2-5)

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

18 (1) Farm chemicals.

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

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

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

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

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

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

10 (4) Until July 1, 2003 and beginning again September 1,
11 2004 through August 30, 2014, graphic arts machinery and
12 equipment, including repair and replacement parts, both new and
13 used, and including that manufactured on special order or
14 purchased for lease, certified by the purchaser to be used
15 primarily for graphic arts production. Equipment includes
16 chemicals or chemicals acting as catalysts but only if the
17 chemicals or chemicals acting as catalysts effect a direct and
18 immediate change upon a graphic arts product. Beginning on
19 August 31, 2014, graphic arts machinery and equipment is
20 included in the manufacturing and assembling machinery and
21 equipment exemption under paragraph (14).

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

25 (6) Personal property sold by a teacher-sponsored student
26 organization affiliated with an elementary or secondary school

1 located in Illinois.

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

5 (8) Personal property sold to an Illinois county fair
6 association for use in conducting, operating, or promoting the
7 county fair.

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

23 (10) Personal property sold by a corporation, society,
24 association, foundation, institution, or organization, other
25 than a limited liability company, that is organized and
26 operated as a not-for-profit service enterprise for the benefit

1 of persons 65 years of age or older if the personal property
2 was not purchased by the enterprise for the purpose of resale
3 by the enterprise.

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

18 (12) Tangible personal property sold to interstate
19 carriers for hire for use as rolling stock moving in interstate
20 commerce or to lessors under leases of one year or longer
21 executed or in effect at the time of purchase by interstate
22 carriers for hire for use as rolling stock moving in interstate
23 commerce and equipment operated by a telecommunications
24 provider, licensed as a common carrier by the Federal
25 Communications Commission, which is permanently installed in
26 or affixed to aircraft moving in interstate commerce.

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

19 (13) Proceeds from sales to owners, lessors, or shippers of
20 tangible personal property that is utilized by interstate
21 carriers for hire for use as rolling stock moving in interstate
22 commerce and equipment operated by a telecommunications
23 provider, licensed as a common carrier by the Federal
24 Communications Commission, which is permanently installed in
25 or affixed to aircraft moving in interstate commerce.

26 (14) Machinery and equipment that will be used by the

1 purchaser, or a lessee of the purchaser, primarily in the
2 process of manufacturing or assembling tangible personal
3 property for wholesale or retail sale or lease, whether the
4 sale or lease is made directly by the manufacturer or by some
5 other person, whether the materials used in the process are
6 owned by the manufacturer or some other person, or whether the
7 sale or lease is made apart from or as an incident to the
8 seller's engaging in the service occupation of producing
9 machines, tools, dies, jigs, patterns, gauges, or other similar
10 items of no commercial value on special order for a particular
11 purchaser. The exemption provided by this paragraph (14) does
12 not include machinery and equipment used in (i) the generation
13 of electricity for wholesale or retail sale; (ii) the
14 generation or treatment of natural or artificial gas for
15 wholesale or retail sale that is delivered to customers through
16 pipes, pipelines, or mains; or (iii) the treatment of water for
17 wholesale or retail sale that is delivered to customers through
18 pipes, pipelines, or mains. The provisions of Public Act 98-583
19 are declaratory of existing law as to the meaning and scope of
20 this exemption. Beginning on August 31, 2014, the exemption
21 provided by this paragraph (14) includes, but is not limited
22 to, graphic arts machinery and equipment, as defined in
23 paragraph (4) of this Section. The exemption provided by this
24 paragraph (14) is exempt from the provisions of Section 2-70.

25 (15) Proceeds of mandatory service charges separately
26 stated on customers' bills for purchase and consumption of food

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

6 (16) Petroleum products sold to a purchaser if the seller
7 is prohibited by federal law from charging tax to the
8 purchaser.

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

17 (18) 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 (19) Until July 1 2003, oil field exploration, drilling,
22 and production equipment, including (i) rigs and parts of rigs,
23 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
24 tubular goods, including casing and drill strings, (iii) pumps
25 and pump-jack units, (iv) storage tanks and flow lines, (v) any
26 individual replacement part for oil field exploration,

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

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

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

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

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

11 (23) A transaction in which the purchase order is received
12 by a florist who is located outside Illinois, but who has a
13 florist located in Illinois deliver the property to the
14 purchaser or the purchaser's donee in Illinois.

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

21 (25) Except as provided in item (25-5) of this Section, a
22 motor vehicle sold in this State to a nonresident even though
23 the motor vehicle is delivered to the nonresident in this
24 State, if the motor vehicle is not to be titled in this State,
25 and if a drive-away permit is issued to the motor vehicle as
26 provided in Section 3-603 of the Illinois Vehicle Code or if

1 the nonresident purchaser has vehicle registration plates to
2 transfer to the motor vehicle upon returning to his or her home
3 state. The issuance of the drive-away permit or having the
4 out-of-state registration plates to be transferred is prima
5 facie evidence that the motor vehicle will not be titled in
6 this State.

7 (25-5) The exemption under item (25) does not apply if the
8 state in which the motor vehicle will be titled does not allow
9 a reciprocal exemption for a motor vehicle sold and delivered
10 in that state to an Illinois resident but titled in Illinois.
11 The tax collected under this Act on the sale of a motor vehicle
12 in this State to a resident of another state that does not
13 allow a reciprocal exemption shall be imposed at a rate equal
14 to the state's rate of tax on taxable property in the state in
15 which the purchaser is a resident, except that the tax shall
16 not exceed the tax that would otherwise be imposed under this
17 Act. At the time of the sale, the purchaser shall execute a
18 statement, signed under penalty of perjury, of his or her
19 intent to title the vehicle in the state in which the purchaser
20 is a resident within 30 days after the sale and of the fact of
21 the payment to the State of Illinois of tax in an amount
22 equivalent to the state's rate of tax on taxable property in
23 his or her state of residence and shall submit the statement to
24 the appropriate tax collection agency in his or her state of
25 residence. In addition, the retailer must retain a signed copy
26 of the statement in his or her records. Nothing in this item

1 shall be construed to require the removal of the vehicle from
2 this state following the filing of an intent to title the
3 vehicle in the purchaser's state of residence if the purchaser
4 titles the vehicle in his or her state of residence within 30
5 days after the date of sale. The tax collected under this Act
6 in accordance with this item (25-5) shall be proportionately
7 distributed as if the tax were collected at the 6.25% general
8 rate imposed under this Act.

9 (25-7) Beginning on July 1, 2007, no tax is imposed under
10 this Act on the sale of an aircraft, as defined in Section 3 of
11 the Illinois Aeronautics Act, if all of the following
12 conditions are met:

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

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

21 (3) the seller retains in his or her books and records
22 and provides to the Department a signed and dated
23 certification from the purchaser, on a form prescribed by
24 the Department, certifying that the requirements of this
25 item (25-7) are met. The certificate must also include the
26 name and address of the purchaser, the address of the

1 location where the aircraft is to be titled or registered,
2 the address of the primary physical location of the
3 aircraft, and other information that the Department may
4 reasonably require.

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

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

10 "Registered in this State" means an aircraft registered
11 with the Department of Transportation, Aeronautics Division,
12 or titled or registered with the Federal Aviation
13 Administration to an address located in this State.

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

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

18 (27) Horses, or interests in horses, registered with and
19 meeting the requirements of any of the Arabian Horse Club
20 Registry of America, Appaloosa Horse Club, American Quarter
21 Horse Association, United States Trotting Association, or
22 Jockey Club, as appropriate, used for purposes of breeding or
23 racing for prizes. This item (27) is exempt from the provisions
24 of Section 2-70, and the exemption provided for under this item
25 (27) applies for all periods beginning May 30, 1995, but no
26 claim for credit or refund is allowed on or after January 1,

1 2008 (the effective date of Public Act 95-88) for such taxes
2 paid during the period beginning May 30, 2000 and ending on
3 January 1, 2008 (the effective date of Public Act 95-88).

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

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

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

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

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

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

1 branches of learning by methods common to public schools and
2 that compare favorably in their scope and intensity with the
3 course of study presented in tax-supported schools, and
4 vocational or technical schools or institutes organized and
5 operated exclusively to provide a course of study of not less
6 than 6 weeks duration and designed to prepare individuals to
7 follow a trade or to pursue a manual, technical, mechanical,
8 industrial, business, or commercial occupation.

9 (34) Beginning January 1, 2000, personal property,
10 including food, purchased through fundraising events for the
11 benefit of a public or private elementary or secondary school,
12 a group of those schools, or one or more school districts if
13 the events are sponsored by an entity recognized by the school
14 district that consists primarily of volunteers and includes
15 parents and teachers of the school children. This paragraph
16 does not apply to fundraising events (i) for the benefit of
17 private home instruction or (ii) for which the fundraising
18 entity purchases the personal property sold at the events from
19 another individual or entity that sold the property for the
20 purpose of resale by the fundraising entity and that profits
21 from the sale to the fundraising entity. This paragraph is
22 exempt from the provisions of Section 2-70.

23 (35) Beginning January 1, 2000 and through December 31,
24 2001, new or used automatic vending machines that prepare and
25 serve hot food and beverages, including coffee, soup, and other
26 items, and replacement parts for these machines. Beginning

1 January 1, 2002 and through June 30, 2003, machines and parts
2 for machines used in commercial, coin-operated amusement and
3 vending business if a use or occupation tax is paid on the
4 gross receipts derived from the use of the commercial,
5 coin-operated amusement and vending machines. This paragraph
6 is exempt from the provisions of Section 2-70.

7 (35-5) Beginning August 23, 2001 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 nonprescription 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 a licensed facility as defined in
18 the ID/DD Community Care Act, the MC/DD Act, or the Specialized
19 Mental Health Rehabilitation Act of 2013.

20 (36) Beginning August 2, 2001, computers and
21 communications equipment utilized for any hospital purpose and
22 equipment used in the diagnosis, analysis, or treatment of
23 hospital patients sold to a lessor who leases the equipment,
24 under a lease of one year or longer executed or in effect at
25 the time of the purchase, to a hospital that has been issued an
26 active tax exemption identification number by the Department

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

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

10 (38) Beginning on January 1, 2002 and through June 30,
11 2016, tangible personal property purchased from an Illinois
12 retailer by a taxpayer engaged in centralized purchasing
13 activities in Illinois who will, upon receipt of the property
14 in Illinois, temporarily store the property in Illinois (i) for
15 the purpose of subsequently transporting it outside this State
16 for use or consumption thereafter solely outside this State or
17 (ii) for the purpose of being processed, fabricated, or
18 manufactured into, attached to, or incorporated into other
19 tangible personal property to be transported outside this State
20 and thereafter used or consumed solely outside this State. The
21 Director of Revenue shall, pursuant to rules adopted in
22 accordance with the Illinois Administrative Procedure Act,
23 issue a permit to any taxpayer in good standing with the
24 Department who is eligible for the exemption under this
25 paragraph (38). The permit issued under this paragraph (38)
26 shall authorize the holder, to the extent and in the manner

1 specified in the rules adopted under this Act, to purchase
2 tangible personal property from a retailer exempt from the
3 taxes imposed by this Act. Taxpayers shall maintain all
4 necessary books and records to substantiate the use and
5 consumption of all such tangible personal property outside of
6 the State of Illinois.

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

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

1 lubricants, cleaning solution, latex gloves, and protective
2 films. This exemption applies only to the sale of qualifying
3 tangible personal property to persons who modify, refurbish,
4 complete, replace, or maintain an aircraft and who (i) hold an
5 Air Agency Certificate and are empowered to operate an approved
6 repair station by the Federal Aviation Administration, (ii)
7 have a Class IV Rating, and (iii) conduct operations in
8 accordance with Part 145 of the Federal Aviation Regulations.
9 The exemption does not include aircraft operated by a
10 commercial air carrier providing scheduled passenger air
11 service pursuant to authority issued under Part 121 or Part 129
12 of the Federal Aviation Regulations. The changes made to this
13 paragraph (40) by Public Act 98-534 are declarative of existing
14 law.

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

1 provided in Section 11-65-25 of the Illinois Municipal Code.
2 This paragraph is exempt from the provisions of Section 2-70.

3 (42) Beginning January 1, 2017, menstrual pads, tampons,
4 and menstrual cups.

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

9 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

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

16 The machinery and equipment exemption also includes
17 machinery and equipment used in the general maintenance or
18 repair of exempt machinery and equipment or for in-house
19 manufacture of exempt machinery and equipment. Beginning on
20 August 31, 2014, the manufacturing and assembling machinery and
21 equipment exemption also includes graphic arts machinery and
22 equipment, as defined in paragraph (4) of Section 2-5. The
23 machinery and equipment exemption does not include machinery
24 and equipment used in (i) the generation of electricity for
25 wholesale or retail sale; (ii) the generation or treatment of

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

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

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

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

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

26 (5) "Production related tangible personal property"

1 means all tangible personal property that is used or
2 consumed by the purchaser in a manufacturing facility in
3 which a manufacturing process takes place and includes,
4 without limitation, tangible personal property that is
5 purchased for incorporation into real estate within a
6 manufacturing facility and tangible personal property that
7 is used or consumed in activities such as research and
8 development, preproduction material handling, receiving,
9 quality control, inventory control, storage, staging, and
10 packaging for shipping and transportation purposes.

11 "Production related tangible personal property" does not
12 include (i) tangible personal property that is used, within
13 or without a manufacturing facility, in sales, purchasing,
14 accounting, fiscal management, marketing, personnel
15 recruitment or selection, or landscaping or (ii) tangible
16 personal property that is required to be titled or
17 registered with a department, agency, or unit of federal,
18 State, or local government.

19 The manufacturing and assembling machinery and equipment
20 exemption includes production related tangible personal
21 property that is purchased on or after July 1, 2007 and on or
22 before June 30, 2008. The exemption for production related
23 tangible personal property is subject to both of the following
24 limitations:

25 (1) The maximum amount of the exemption for any one
26 taxpayer may not exceed 5% of the purchase price of

1 production related tangible personal property that is
2 purchased on or after July 1, 2007 and on or before June
3 30, 2008. A credit under Section 3-85 of this Act may not
4 be earned by the purchase of production related tangible
5 personal property for which an exemption is received under
6 this Section.

7 (2) The maximum aggregate amount of the exemptions for
8 production related tangible personal property awarded
9 under this Act and the Use Tax Act to all taxpayers may not
10 exceed \$10,000,000. If the claims for the exemption exceed
11 \$10,000,000, then the Department shall reduce the amount of
12 the exemption to each taxpayer on a pro rata basis.

13 The Department may adopt rules to implement and administer the
14 exemption for production related tangible personal property.

15 The manufacturing and assembling machinery and equipment
16 exemption includes the sale of materials to a purchaser who
17 produces exempted types of machinery, equipment, or tools and
18 who rents or leases that machinery, equipment, or tools to a
19 manufacturer of tangible personal property. This exemption
20 also includes the sale of materials to a purchaser who
21 manufactures those materials into an exempted type of
22 machinery, equipment, or tools that the purchaser uses himself
23 or herself in the manufacturing of tangible personal property.
24 The purchaser of the machinery and equipment who has an active
25 resale registration number shall furnish that number to the
26 seller at the time of purchase. A purchaser of the machinery,

1 equipment, and tools without an active resale registration
2 number shall furnish to the seller a certificate of exemption
3 for each transaction stating facts establishing the exemption
4 for that transaction, and that certificate shall be available
5 to the Department for inspection or audit. Informal rulings,
6 opinions, or letters issued by the Department in response to an
7 inquiry or request for an opinion from any person regarding the
8 coverage and applicability of this exemption to specific
9 devices shall be published, maintained as a public record, and
10 made available for public inspection and copying. If the
11 informal ruling, opinion, or letter contains trade secrets or
12 other confidential information, where possible, the Department
13 shall delete that information before publication. Whenever
14 informal rulings, opinions, or letters contain a policy of
15 general applicability, the Department shall formulate and
16 adopt that policy as a rule in accordance with the Illinois
17 Administrative Procedure Act.

18 The manufacturing and assembling machinery and equipment
19 exemption is exempt from the provisions of Section 2-70.

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

21 Section 99. Effective date. This Act takes effect upon
22 becoming law.